

# Public Document Pack



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Y Rhadyr  
Brynbuga  
NP15 1GA

County Hall  
Rhadyr  
Usk  
NP15 1GA

Wednesday, 14 October 2015

**Notice of meeting / Hysbysiad o gyfarfod:**

## **Audit Committee**

**Thursday, 22nd October, 2015 at 2.00 pm,  
Council Chamber, County Hall, The Rhadyr, Usk, NP15 1GA**

### **AGENDA**

<b>Item No</b>	<b>Item</b>	<b>Pages</b>
1.	<b>Apologies for Absence</b>	
2.	<b>Declarations of Interest</b>	
3.	<b>Public Open Forum</b>	
4.	<b>To confirm minutes of the previous meeting</b>	1 - 8
5.	<b>To note the Action List from the previous meeting</b>	9 - 10
6.	<b>SRS Strategy Report and update on WAO recommendations</b>	
7.	<b>Welsh Church Fund - Annual Report</b> <ul style="list-style-type: none"><li>• Audited Trust Fund Accounts 2014/2015</li><li>• ISA260 Report</li></ul>	11 - 38
8.	<b>Monmouthshire Farm School Endowment Trust - Annual Report</b> <ul style="list-style-type: none"><li>• Audited Trust Fund Accounts 2014/2015</li><li>• ISA260 Report</li></ul>	39 - 58
9.	<b>Mid Year Treasury Outturn Report 2015/16</b>	59 - 64
10.	<b>Internal Audit Progress Report 2015/16 Quarter 2</b>	65 - 72
11.	<b>Unsatisfactory Audit Opinions</b>	73 - 82
12.	<b>Whole Authority Complaints Report 2014/15</b>	83 - 100

<b>13.</b>	<b>Proposed changes to Accounts and Audit Regulations 2014</b>	<b>101 - 114</b>
<b>14.</b>	<b>Audit Committee Work Programme</b>	<b>115 - 116</b>
<b>15.</b>	<b>To confirm that date and time of next meeting as Thursday 3rd December 2015 at 2.00pm</b>	

**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  
J. Prosser  
G. Down  
A. Easson  
D. Edwards  
P. Murphy  
P. Jordan  
B. Hayward  
B. Strong

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### Welsh Language

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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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## MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of the Audit Committee held at County Hall, Usk,  
On Wednesday 23<sup>rd</sup> September 2015 at 2.00 pm

**PRESENT:** County Councillor R.J. Higginson (Vice-Chairman)

County Councillors: D. Batrouni, A. Easson, R.J.C. Hayward, P. Murphy and J. Prosser

**ALSO IN ATTENDANCE:**

County Councillor V. Smith

**OFFICERS IN ATTENDANCE:**

J. Robson	- Head of Finance, Section 151
M. Howcroft	- Assistant Head of Finance
A. Wathan	- Chief Internal Auditor
K. Beirne	- Chief Officer, Enterprise
P. Davies	- Head of Commercial and People Development
N. Perry	- Democratic Services Officer

**OTHER ATTENDEES:**

Mr. S. Wyndham	- Wales Audit Office
Mr. A. Ford	- Wales Audit Office

### 1. APOLOGIES FOR ABSENCE

We received apologies for absence from County Councillors G. Down, P. Clarke, D. Edwards, P. Jordan, B. Strong and Mr. P. White.

### 2. DECLARATIONS OF INTEREST

There were no declarations of interest made by members.

### 3. PUBLIC OPEN FORUM

There were no members of the public present.

## **MONMOUTHSHIRE COUNTY COUNCIL**

**Minutes of the meeting of the Audit Committee held at County Hall, Usk,  
On Wednesday 23<sup>rd</sup> September 2015 at 2.00 pm**

### **3. DECLARATIONS OF INTEREST**

There were no declarations of interest made by Members.

### **4. MINUTES**

The minutes of the Audit Committee meeting held on Thursday 16<sup>th</sup> 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.

### **5. ACTION LIST**

We noted the action list from the meeting dated 16<sup>th</sup> 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.

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

### **6. MCC ISA260 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.



## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of the Audit Committee held at County Hall, Usk, On Wednesday 23<sup>rd</sup> September 2015 at 2.00 pm

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. 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 CMC<sup>2</sup> liability figure of £122,000 was the position at the 31<sup>st</sup> March 2015. There would be a revised position as at 30<sup>th</sup> 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.

## 7. INCOME GENERATION STRATEGY

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of the Audit Committee held at County Hall, Usk, On Wednesday 23<sup>rd</sup> September 2015 at 2.00 pm

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 7<sup>th</sup> 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 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

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of the Audit Committee held at County Hall, Usk, On Wednesday 23<sup>rd</sup> September 2015 at 2.00 pm

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.

The Committee resolved to note the report.

#### **8. 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

## **MONMOUTHSHIRE COUNTY COUNCIL**

### **Minutes of the meeting of the Audit Committee held at County Hall, Usk, On Wednesday 23<sup>rd</sup> September 2015 at 2.00 pm**

the 30<sup>th</sup> 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.

#### **9. 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

## **MONMOUTHSHIRE COUNTY COUNCIL**

### **Minutes of the meeting of the Audit Committee held at County Hall, Usk, On Wednesday 23<sup>rd</sup> September 2015 at 2.00 pm**

these 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.

#### **10. AUDIT COMMITTEE FORWARD PLANNER**

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

#### **11. DATE AND TIME OF NEXT MEETING**

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

**The meeting ended at 3.30 pm.**

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# Agenda Item 5

## Audit Committee Actions 23<sup>rd</sup> September 2015

<b>Agenda Item:</b>	<b>Subject</b>	<b>Officer</b>	<b>Outcome</b>
<b>Agenda Item 10</b> <b>16<sup>th</sup> July 2015</b>  <b>23<sup>rd</sup> September</b> <b>2015 – Follow</b> <b>up</b>	Review of the Shared Resource Service	K. Beirne	Audit Committee to receive a follow up report at the September meeting.  Matt Lewis, SRS, to attend October meeting
<b>Agenda Item 6</b>	Statement of Accounts	M. Howcroft	Audit Committee require further information surrounding funding of school clusters  Clarification provided at full Council. No further information needed.
<b>Agenda Item 6</b>	Statement of Accounts	M. Howcroft	Members require an inventory of MCC museum exhibits.
<b>Agenda Item 9</b>	Early Departures and Vacant Posts	P. Davies	A breakdown of special payments by banding requested

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**The Monmouthshire County Council Welsh  
Church Act Fund**

**Annual Report and Financial Statements for the  
year ended 31 March 2015**

Registered Charity Number: 507094

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2015**

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**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2015**

**Trustee, Officers and Advisors**

**Trustee**

Monmouthshire County Council

**Secretary**

Robert Tranter

Monitoring Officer

Monmouthshire County Council

**Registered Office**

Innovation House

Magor

PO Box 106

NP26 9AN

**Auditors**

Wales Audit Office

24, Cathedral Road

Cardiff

CF11 9LJ

**Solicitor**

Robert Tranter

Head of Legal Services

Monmouthshire County Council

**Investment Custodian**

Monmouthshire County Council

**Bankers**

Barclays Bank

1-5 St David's Way

St David's Centre

Cardiff

CF10 2DP

# **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2015**

## **Report of the Trustee for the year ended 31 March 2015**

The Trustee presents its annual report and the audited financial statements for the year ended 31 March 2015 of The Monmouthshire County Council Welsh Church Act Fund ('the Charity').

The information with respect to the Trustee, officers and advisors set out on page 1 forms part of this report. The financial statements comply with the Charity's trust deed, applicable accounting standards in the United Kingdom and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" 2005 and the Charities Act 1993.

### **Structure, Governance and Management**

The Charity is governed by the Welsh Church Act 1914 and the Welsh Church Act (Designation and Specification) Order 1996 and is registered with the Charity Commissioners under charity number 507094. A model scheme for the administration of the fund has been prepared and has been submitted to the Welsh Government for approval.

The Trust covers the Council administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen and the City of Newport, with Monmouthshire County Council being designated as the host Authority. The Monmouthshire Welsh Church Act Fund was established on 1 April 1996, from the former Gwent Welsh Church Act Fund and part of the former Mid Glamorgan Welsh Church Act Fund.

Monmouthshire County Council as the Corporate Body is the Trustee for the Welsh Church Fund and therefore there are no policies and procedures adopted for the induction and training of trustees.

The management of the Fund is undertaken by officers of the Council and a proportion of their time is charged to the Fund.

### **Objectives**

The primary object of the Charity for each year, as stated in its governing document, is to assist groups and individuals for educational, social, recreational and other charitable purposes. Grants are available from the Fund for capital or revenue purposes. Capital grants may be awarded to assist organisations in the furnishing and upkeep of buildings. Revenue grants are designed to further the aims of societies and to assist individuals in their various pursuits.

### **Grants allocation policy**

An annual budget set by the Trustee for grant payments is split between the administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen and Newport on a population basis.

A Committee set up by the Trustee approves grant applications on a basis in line with full Council meetings or as deemed required by the participating authorities. Grants are made in pursuance of the Charity's objectives.

### **Review of activities and future developments**

The statement of financial activities for the year is set out on page 6 of the financial statements. A summary of the financial results and the work of the Charity are set out below.

The Fund has increased in value by £597,124 (£1,447 increase in 2013/14); this increase in value is mainly due to the re-valuation of the fixed asset investments of £233,025 in line with the 5 year fixed asset revaluation policy of the Trustee. There has also been an in year un-realised gain of £269,870 in regard to the investment assets managed by the trust's investment advisors.

Income is principally comprised of investment income of £218,707 (£162,549 in 2013/14), which has increased as a result of the investment strategy being implemented for the whole financial year in 2014/15. This strategy has removed the majority of the investment fund from the pooled investment arrangement that the Trust had with Monmouthshire County Council. The Trust has utilised the Trustee's own investment managers to manage the fund, thus, controlling management fees and therefore maximising returns whilst at the same time maintaining a balanced capital risk strategy.

Charitable expenditure for the year amounted to £124,053 (£139,092 in 2013/14) and principally comprised

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2015**

grant payments of £117,598 (£130,217 in 2013/14). This is primarily due to Caerphilly Borough withholding grant payments due to applicants not meeting grant payment criteria after the initial award of funding.

As indicated previously, net gains on investments held amounted to £269,870 (£28,801 net loss in 2013/14). These non realised investment gains have been as a result of the Trusts' current investment strategy, diversifying the portfolio across several investment categories in the last couple of financial years. The long term projections on these charity based investments continue to outperform the trust's old pooled investment strategy as reflected by the continuing increased investment returns received during the financial year.

The provision for potential investment losses arising from investments in Icelandic investments to which the Charity is exposed has remained the same during the 2014-15 financial year. During 2015/16 the final position re the final loss due on the Icelandic investment will be known and it is expected that the provision will be utilised.

### **Income generation**

The Charity's income was £220,814, compared to £166,021 in 2013/14. The full implementation of the market investment strategy that has mainly replaced the pooled investment strategy with Monmouthshire County Council has continued to produce larger returns in the financial markets due to investment in more specific charitable investment funds.

### **Bad debt provision**

A new bad debt provision of £885 has been recognised in regard to an invoice outstanding with a tenant that is very unlikely to be collected.

### **Investment powers, policy and performance**

Under the terms of the Trust Deed, the Trustee has general powers of investment, subject to the provisions of the Trustee Act 2000. The investment policy of the Trust is to maximise the rate of investment return, whilst employing a risk strategy that minimises any potential reduction in the capital value of the Fund.

The Trustee has reviewed its investment strategy and produced an investment and fund strategy for 2014/15, which was approved by Monmouthshire County Council in its capacity as sole and corporate trustee, on March 5<sup>th</sup> 2014.

### **Icelandic Bank Impairment**

The Charity is currently exposed to potential investment losses arising from investments in Icelandic Investments.

The investments of the Charity are managed by the appointed fund managers of Monmouthshire County Council, acting in its capacity as sole and corporate Trustee. As part of the Charity's Investment strategy, any investment losses or gains incurred by the Authority in regard to pooled funds are apportioned proportionately between the Authority and the Charity in line with total investments held by the Authority.

The Charity currently estimates that it is exposed to a potential £12,494 investment loss (£12,494 investment loss in 2013/14), and a provision is made for this amount in the year-end accounts. No further information has been forthcoming from the administrators to alter this assumption during 2014-15.

### **Changes in fixed assets**

The fixed asset investments were re-valued during the 2014/15 financial year in line with the fixed asset policy. This revaluation led to an unrealised gain on the fixed asset investments of £233,025 (see note 7)

### **Reserves**

The Trustee's policy is to maintain the level of investments at a level that provides sufficient annual income to fund the Charity's charitable expenditure. The level of funds held at 31<sup>st</sup> March 2015 was £5,255,580. The Trustee has reviewed its Fund strategy and produced an investment and fund strategy for 2014/15 which states that the purpose of reserves is to maintain investments such that they realise sufficient income to provide grants to organisations at a consistent level. Whilst, the strategy is to ensure that there is no long-term detrimental effect on overall reserve balances, recommendation made by the Charity Commission has resulted in grants

## **The Monmouthshire County Council Welsh Church Act Fund Annual Report for year ended 31 March 2015**

being made in excess of investment income in order to redress accumulated balances from previous years.

### **Governance of the Charity**

Three representative councillors from each of the five administrative areas of Blaenau Gwent, Caerphilly, Monmouthshire, Torfaen and Newport are appointed by their respective councils annually to form a committee to oversee fund management. Members are appointed to the committee for the term of the Council.

### **Risk management**

The Trustee has undertaken a review of the major risks to which the Charity is exposed and its risk management and internal control procedures should be updated to ensure that systems are in place to mitigate the risks identified. The risk assessment was considered by Monmouthshire County Council on 5th March 2014

### **Auditors**

The Wales Audit Office was appointed as auditors to the Welsh Church Act Fund in 2007/08.

### **Statement of Trustee's responsibilities**

The Trustee is responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charity and its financial activities for that period.

In preparing those financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operational existence.

The Trustee confirms that it has complied with the above requirements in preparing the financial statements.

The Trustee is responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable it to ensure that the financial statements comply with the Charities Act 1993 It is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee certifies that:

- as far as it is aware, there is no relevant information of which the Charity's auditors are unaware; and
- as Trustee of the Charity, it has taken all the steps that it ought to have taken in order to make itself aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.

**By order of the Trustee**

**Mrs Joy Robson  
Head of Finance – Monmouthshire County Council**

**Date:**

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2015**

**Report of the Auditor General for Wales to the Trustee of the  
Monmouthshire County Council Welsh Church Act Fund**

I have audited the financial statements of Welsh Church Act Fund for the year ended 31 March 2015 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**Respective responsibilities of trustee and independent auditor**

As explained more fully in the Trustee's Responsibilities Statement set out on page 2, the trustee is responsible for the preparation of financial statements which give a true and fair view.

I have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustee and the overall presentation of the financial statements.

In addition, I read all the financial and non-financial information in the Trustee's Annual Report, to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

**Opinion on financial statements**

In my opinion the financial statements:

- Give a true and fair view of the state of affairs of the charity as at 31 March 2015 and of its incoming resources and application of resources for the year then ended; and
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Charities Act 2011.

**Opinion on other matters**

In my opinion the information which comprises the report of the Trustee in the Annual Report is consistent with the financial statements.

Ann-Marie Harkin  
On behalf of the Auditor General for Wales  
[Date]

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2015**

**Statement of financial activities for the year ended 31 March 2015**

	Notes	2015 £	2014 £
<b>Incoming resources</b>			
Investment income	2	218,707	162,549
Other incoming resources		2,107	3,472
<b>Total incoming resources</b>		<b>220,814</b>	166,021
<b>Resources Expended</b>			
Costs of generating funds:			
Investment Property Professional fees		915	0
Management and administration		733	733
Movement in bad debt provision		885	230
		<b>2,532</b>	963
<b>Charitable expenditure</b>			
Costs of activities in furtherance of the Charity's objects			
Grants payable	3,4	117,598	130,217
Management and administration		3,970	6,787
Governance Costs	5	2,485	2,088
		<b>124,053</b>	139,092
<b>Total resources expended</b>		<b>126,585</b>	140,055
<b>Net incoming /(outgoing) resources before transfers</b>		<b>94,229</b>	25,966
<b>Net incoming / (outgoing) resources before other recognised Gains / (losses)</b>		<b>94,229</b>	25,966
Gains/(losses) on the revaluation and disposal of investment assets		269,870	(28,801)
Gains/(losses) on the revaluation and disposal of tangible fixed assets		233,025	0
Provision for investment losses (increase) / decrease	13	0	4,282
<b>Net movement in funds</b>		<b>597,124</b>	1,447
Fund balances brought forward 1 April 2014		4,658,456	4,657,009
<b>Fund balances carried forward 31 March 2015</b>	11	<b>5,255,580</b>	4,658,456

All incoming resources and resources expended are derived from continuing activities. There are no recognised gains or losses other than those disclosed above.



**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2015**

**Balance Sheet as at 31 March 2015**

	Notes	2015 £	2014 £
<b>Fixed assets</b>			
Tangible Investment Assets	7	382,451	149,426
Investments	8	4,763,926	4,494,055
		<b>5,146,377</b>	4,643,481
<b>Current assets</b>			
Debtors: amounts falling due within one year	9	112,564	97,863
Cash at bank and in hand		122,166	53,062
		<b>234,730</b>	150,925
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	10	113,033	123,456
<b>Net current assets less current liabilities</b>		<b>121,697</b>	27,469
Long term liabilities: Provisions	13	12,494	12,494
<b>Net assets less Liabilities</b>		<b>5,255,580</b>	4,658,456
<b>Reserves:</b>			
Unrestricted Funds	11	5,255,580	4,658,456
<b>Total funds</b>		<b>5,255,580</b>	4,658,456

The accounts on pages 6 to 13 were approved by the Trustee on 00 January 2016, and signed on their behalf by:

Mrs Joy Robson  
Head of Finance (S151, Responsible Financial Officer), Monmouthshire County Council

Date:

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2015**

**Notes to the financial statements for the year ended 31 March  
2015**

**1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" 2005. A summary of the principal accounting policies, which have been applied consistently, are set out below.

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention, as modified by the inclusion of investments and tangible fixed assets at market value. During the year the Charity reviewed its accounting policies in accordance with FRS18 'Accounting Policies'. No accounting policies have been changed as a result.

**Incoming Resources**

All income is accounted for on an accruals basis.

**Resources expended**

All expenditure is accounted for on an accruals basis. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources.

**Grants payable**

Grants payable are accounted for in full as liabilities of the Charity when approved by the Trustee and accepted by the beneficiaries.

**Management and administration**

Management and administration costs include expenditure on administration of the Charity and, an appropriate apportionment of overheads.

**Governance Costs**

Governance costs comprise costs involving the compliance with constitutional and statutory requirements. These costs relate to audit fees payable to the appointed external auditor.

**Irrecoverable VAT**

Any irrecoverable VAT is charged to the statement of financial activities, or capitalised as part of the cost of the related asset, where appropriate.

**Recognition of liabilities**

Liabilities are recognised when an obligation arises to transfer economic benefits as a result of past transactions or events.

**Fund accounting**

Funds are unrestricted funds which are available for use at the discretion of the Trustee in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

**Tangible Investment Assets**

*Capitalisation, Replacement and Valuation*

The Trust's policy is to revalue its land and buildings. Valuations are carried out on a rolling basis over a five-year period. Valuations will also be undertaken where it is identified that there have been material movements between formal valuations,

An Independent valuer of Williams Associates a qualified Land Valuers and Chartered Surveyors, re-valued all tangible fixed assets as at 24<sup>th</sup> March 2015 and all assets held at that date are included in the accounts at valuation. Vacant properties are valued at open market value. Properties that are deemed to be Community Assets are valued at a £1.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2015**

**Depreciation**

Land is not depreciated. The Fund currently has no buildings on the fixed asset register.

**Investments**

Any realised and unrealised gains and losses on revaluation or disposals of investments are included in the statement of financial activities. The Authority is authorised to invest any surplus income or dispose of any investments when it deems appropriate. Investments are strategically placed in investment funds specifically designed for charitable organisations. Investment performance is reviewed periodically in light of prevailing economic changes.

**Fees and similar income**

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided.

**Cash flow statement**

The Charity is exempt from publishing a cash flow statement as it qualifies for exemption as a small charitable company under Financial Reporting Standard 1 paragraph 5(f) on the basis that it meets the relevant conditions and size criteria specified in the Companies Act.1985.

**2 Investment income**

	2015	2014
	£	£
Investments with Monmouthshire County Council	2,107	11,209
External Investments	218,707	151,340
	<b>220,814</b>	<b>162,549</b>

**3 Grants Payable**

	2015	2014
	£	£
Grants have been paid to the following administering Local Authorities for them to make to groups and individuals on behalf of the Fund:		
Monmouthshire County Council	23,884	15,927
Torfaen County Borough Council	22,172	22,894
Newport City Council	38,135	38,300
Blaenau Gwent County Borough Council	15,839	19,526
Caerphilly County Borough Council	17,568	33,570
	<b>117,598</b>	<b>130,217</b>

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2015**

**4 Analysis of Grants**

	<b>Grants to Organisations</b>	<b>Grants to Individuals</b>
	£	£
The Advancement of Education	7,747	300
The Advancement of Religion	39,906	0
The Relief of Poverty	7,550	0
Other Purposes Beneficial to the Community	62,095	0
<b>Total</b>	<b>117,298</b>	<b>300</b>

Caerphilly Borough Council, Newport City Council, Torfaen County Borough Council and Monmouthshire County Council have under spent their allocations for 2014/15 by £155,235, £10,184, £15,011 and £6,576 respectively which will be carried forward for distribution in 2015/16. Blaenau Gwent County Borough Council allocated all of their distribution during the financial year.

**5 Governance Costs**

	<b>2015</b>	2014
	£	£
Auditor's remuneration	2,485	2,088
	<b>2,485</b>	2,088

No indemnity insurance for Trustee's liability has been purchased by the Charity. Though no specific indemnity insurance has been purchased by the Charity, the Fund is covered by Monmouthshire County Councils' fidelity guarantee insurance. Insurance covers financial losses incurred as a result of fraudulent acts conducted by Authority employees but does not cover the Trustee for any wrong decisions that may have been made. Governance costs have increased during the year as a result of the Public Audit Wales Act and in particular the duty placed on the Wales Audit Office to ensure full cost recovery in its audit fees.

**6 Taxation**

The Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the Charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

The Charity is not separately registered for VAT because it falls within the Local Authority's VAT Registration as Corporate trustee and accordingly, all their expenditure is recorded exclusive of any VAT incurred.

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2015**

**7 Investment Assets**

	<b>Total</b>
	<b>£</b>
<b>Valuation</b>	
At 1 April 2014	149,426
Disposals	0
Revaluation	233,025
<b>At 31 March 2015</b>	<b>382,451</b>
<b>Depreciation</b>	
At 1 April 2014	0
Charge in year	0
Disposals	0
<b>At 31 March 2015</b>	<b>0</b>
<b>Net book Value</b>	
At 1 April 2014	149,426
<b>At 31 March 2015</b>	<b>382,451</b>

Tangible Investment Assets solely consist of freehold land. All land held by the Fund had been revalued as at 24<sup>th</sup> March 2015. Valuations were carried out during the financial year in accordance with the valuation policy whereby assets are required to be revalued on a rolling basis of not more than five year intervals.

**8 Investments**

	<b>2015</b>	2014
	<b>£</b>	£
CCLA - COIF Property Fund	<b>975,139</b>	864,141
UBS Multi Asset Income Fund	<b>752,446</b>	737,527
M&G Charibond Fund	<b>723,491</b>	689,225
Schroders Income Maximiser	<b>476,340</b>	467,995
M&G Charifund	<b>526,706</b>	505,425
CCLA - COIF Investment Fund	<b>854,303</b>	779,412
Treasury Stock 2024 2.5%	<b>105,501</b>	100,330
Invested with Monmouthshire County Council	<b>350,000</b>	350,000
	<b>4,763,926</b>	4,494,055

The Trust has investments held with UBS, M&G, Schroeder's, CCLA, HM Treasury and Monmouthshire County Council. The investments are held as part of the Authority's overall investment portfolio. Returns from Monmouthshire are generated on a "pooled" basis. The average rate of interest generated on the pooled funds from Monmouthshire was 0.5906% for 2014/15 (0.5906% for 2013/14). The basis of valuation on the market based investments held with CCLA, M&G, UBS and Schroder's, is the

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2015**

open market value of the unit holdings on the 31<sup>st</sup> March 2015 multiplied by the units held. The Treasury Stock 2024 valuation is based upon the market value of the Treasury Gilt at the 31<sup>st</sup> March 2015 as listed on the dmo.gov website. The value of the 'pooled' investment with Monmouthshire County Council is the cash value as at the 31<sup>st</sup> March 2015. Non of the Investments are held outside of the territorial limits of the United Kingdom.

**9 Debtors**

	<b>2015</b>	2014
	<b>£</b>	£
<b>Amounts falling due within one year</b>		
Investment Income	<b>109,634</b>	57,603
Other Debtors		
MCC Bank Transfer	<b>0</b>	34,009
Rental income	<b>3,689</b>	1,812
Bad debt provision for loss of rental income	<b>(885)</b>	(230)
HM Revenue and Customs	<b>0</b>	949
Other Debtors	<b>126</b>	3,720
	<b>112,564</b>	97,863

All investment interest due from the trustee was paid in year in 2014-15.

**10 Creditors**

	<b>2015</b>	2014
	<b>£</b>	£
<b>Amounts falling due within one year</b>		
Grant creditors	<b>97,714</b>	123,456
Other creditors	<b>15,319</b>	0
	<b>113,033</b>	123,456

**11 Funds**

	Balance 1 April 2014	Incoming resources	Resources Expended	Other Recognised Gain / (Loss)	<b>Balance 31 March 2015</b>
	£	£	£	£	£
Unrestricted funds	4,658,455	220,814	126,188	502,896	<b>5,255,977</b>

**The Monmouthshire County Council Welsh Church Act Fund  
Annual Report for year ended 31 March 2015**

## **12 Related party transactions**

During the year transactions with related parties arose as follows:

	2015		2014	
	Receipts	Payments	Receipts	Payments
	£	£	£	£
Monmouthshire County Council	<b>39,566</b>	<b>27,978</b>	22,355	27,070

Members of the Authority have direct control over the Welsh Church Fund's financial and operating policies. Where work or services have been commissioned, or where grants were made during the financial year in which members had an interest, members have a duty to declare such an interest. The Welsh Church Fund must ensure that grants allocated were in full compliance with the Authority's standing orders and that grants were made with proper consideration of declarations of such interests.

During the financial year, members who declared an interest did not take part in any discussion or decision relating to grants made or works or services commissioned. Details of all interests declared are recorded in minutes or relevant meetings and recorded in the Register of Members' Interest, open to public inspection at County Hall, Usk.

## **13 Investment losses -Impairment of Investments**

The Charity is currently exposed to potential investment losses arising from investments in Icelandic Investments.

A small amount of the investments of the Charity are pooled within the overall investment portfolio of Monmouthshire County Council, acting in its capacity as sole Trustee. As part of the Charity's Investment strategy, any investment losses incurred by the Authority are apportioned proportionately between the Authority and the Charity in line with total investments held by the Authority.

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. Monmouthshire County Council had £1,200,000 deposited with Heritable Bank as part of its overall investment portfolio.

All monies within Heritable Bank are currently subject to the respective administration process. The amounts and timing of payments to depositors such as the authority will be determined by the administrators. This process is estimated to terminate in the financial year 2015/16.

Based on the latest information available, the Charity continues to consider it appropriate to provide for an impairment adjustment for the deposit. The Charity currently estimates that it is exposed to a potential £12,494 investment loss (£12,494 in 2013/14); the provision has subsequently been carried forward in the year-end accounts.

As the available information is not definitive as to the amount and timing of any future or final payments to be made by the administrators, it may become evident over the next financial year that this provision will no longer be required if the administrators deem no more disbursements will be forthcoming..

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# Audit of Financial Statements Report

## Welsh Church Act Fund

**Audit year:** 2014-15

**Issued:** September 2015

**Document reference:** 460A2015

### **Purpose of this document**

This document is a draft supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the conclusions reached.

### **Handling prior to publication**

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## Status of report

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This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [info.officer@audit.wales](mailto:info.officer@audit.wales).

The team who delivered the work were Ann-Marie Harkin, Steve Wyndham, Anthony Ford and Jane Davies

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We intend to issue an unqualified audit report on the financial statements. There are, however, some issues to report to you prior to their approval.

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# Summary report

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## Introduction

1. We are responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the Welsh Church Act Fund at 31 March 2015 and its income and expenditure for the year then ended.
2. We are reporting to you the more significant issues arising from the audit, which we believe you should consider prior to approving the financial statements. The audit team has already discussed these issues with officers.
3. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify that the financial statements are materially correct and are not materially misstated, namely, those that might mislead a reader of the accounts.

## Proposed audit report

4. It is our intention to issue an unqualified audit report on the financial statements. The proposed audit report is set out in [Appendix 1](#).

## Issues arising from the audit

### Corrected misstatements

5. A small number of misstatements were identified during our audit and whilst they have been corrected by management, we consider that they should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 2](#).
6. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:
  - **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** There are no matters arising that need to be reported to the trustee.
  - **We did not encounter any significant difficulties during the audit.**
  - **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
  - **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
  - **We did not identify any material weaknesses in your internal controls.**

**There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

# Appendix 1

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## Proposed audit report of the Auditor General for Wales to the trustee of the Monmouthshire County Council Welsh Church Act Fund

### Report of the Auditor General for Wales to the trustee of the Monmouthshire County Council Welsh Church Act Fund

I have audited the financial statements of Welsh Church Act Fund for the year ended 31 March 2015 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of trustee and independent auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 4, the trustee is responsible for the preparation of financial statements which give a true and fair view.

I have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustee[s]; and the overall presentation of the financial statements.

In addition, I read all the financial and non-financial information in the Trustees' Annual Report, to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

---

## Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2013 and of its incoming resources and application of resources for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Charities Act 2011.

## Opinion on other matters

In my opinion the information which comprises the report of the Trustee in the Annual Report is consistent with the financial statements.

Ann-Marie Harkin

On behalf of the Auditor General for Wales

Date

Wales Audit Office

24 Cathedral Road

Cardiff CF11 9LJ

DRAFT

# Appendix 2

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## Final Letter of Representation

Ann Marie-Harkin  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

October 2015

## Representations regarding the 2014-15 financial statements

This letter is provided in connection with your audit of the financial statements of Monmouthshire County Council Welsh Church Act Fund for the year ended 31 March 2015 for the purpose of expressing an opinion on their truth and fairness.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

## Management representations

### Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and Statement of Recommended Practice 'Accounting and Reporting by Charities' 2005; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and

- 
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
  - The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - Our knowledge of fraud or suspected fraud that we are aware of and that affects Monmouthshire County Council Welsh Church Act Fund and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements.
  - Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
  - Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
  - The identity of all related parties and all the related party relationships and transactions of which we are aware.

### Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.



---

## Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Trustee on [insert date].

Signed by:

Signed by:

Date:

Date:

DRAFT

# Appendix 3

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## Summary of corrections made to the draft financial statements

During our audit, we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Nature and value of correction

#### Investment income

Investment Income within the Statement of Financial Activities (SoFA) has been increased by £33,298 to include items of investment income that were omitted from the draft accounts.

#### Governance Costs

Governance Costs within the SoFA have been increased by £397 as the audit fee costs within the draft financial statements did not reflect the actual fee.

DRAFT



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24 Cathedral Road  
Cardiff CF11 9LJ

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Swyddfa Archwilio Cymru

24 Heol y Gadeirlan

Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)

**Monmouthshire Farm School Endowment  
Trust Fund**

**Annual report  
for the year ended 31 March 2015**

-Registered Charity Number: 525649

**Monmouthshire Farm School Endowment Trust Fund  
Annual report for year ended 31st March 2015**

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**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for year ended 31st March 2015**

**Trustees, officers and advisors**

**Trustees**

D L Edwards  
Monmouthshire County Council

R Edwards  
Monmouthshire County Council

R J W Greenland  
Monmouthshire County Council

S B Jones  
Monmouthshire County Council

A Easson  
Monmouthshire County Council

D.W.H Jones  
Monmouthshire County Council

L Winnett  
Blaenau Gwent County Borough Council

Dr W O C Symondson  
University of Wales College Cardiff

D Yeowell  
Torfaen County Borough Council  
(Started during year)

B. Mawby  
Torfaen County Borough Council  
(Left during year)

Professor J D Hayes  
University College Wales Aberystwth

K Backhouse  
Director Usk Campus – Coleg Gwent

D Havard  
Caerphilly County Borough Council

**Secretary**

P Matthews – Acting Monitoring Officer, Monmouthshire County Council

**Registered Office**

@innovation House, PO box 106, Magor NP26 9AN

**Auditors**

Wales Audit Office, 24 Cathedral Road, Cardiff, CF11 9LJ

**Solicitors**

R Tranter, Head of Legal Services, Monmouthshire County Council

**Investment custodian**

Monmouthshire County Council

**Bankers**

Barclays Bank, Leicester, Leicestershire LE87 2BB

## **Monmouthshire Farm School Endowment Trust Fund Annual report for year ended 31st March 2015**

### **Report of the Trustee for the year ended 31st March 2015**

The Trustees present their annual report and the audited financial statements for the year ended 31<sup>st</sup> March 2015. The information with respect to Trustees, officers and advisors set out on page 1 forms part of this report. The financial statements comply with the Charity's trust deed, applicable accounting standards in the United Kingdom and the Statement of Recommended Practice (SORP) issued in October 2005 and the Charities Act 1993.

#### **Status and administration**

The Charity is governed by the 1959 Principal Scheme as amended by the Altering Scheme of 1971, although the governing body may rightly claim a history stretching back to 1894. The Fund is registered with the Charity Commission under charity number 525649.

#### **Objects**

The primary object of the Charity, as stated in its governing document, is to make awards to students in need of assistance to attend Usk Agricultural College, or at the discretion of the governing body, any other college, institution or university to pursue courses of study in agricultural subjects. The governing body can use its discretion to apply any unawarded income to provide funding towards the cost of their facilities or amenities at Usk College which would benefit these students.

#### **Review of activities and future developments**

The statement of financial activities for the year is set out on page 5 of the financial statements. A summary of the financial results and the work of the Charity are set out below.

The Fund has increased in value by £23,380 (£16,640 increase in 2013/14) over the financial year as a result of outgoing resources being outweighed by incoming resources.

Income is comprised of interest on investment stock and cash held of £5,163 (£5,172 in 2013/14), and £37,328 (£56,161 in 2013/14) in respect of the annual payment from the Roger Edwards Educational Trust Fund. Expenditure of £46,457 (£41,480 in 2013/14) primarily comprised of grants payable of £44,200 (£39,192 in 2013/14) in line with the Charity's objects. Unrealised investment gain of £27,346 (£3,213 loss in 2013/14) were made in relation to investments held.

The current strategy is to ensure that there are sufficient funds to meet the needs of beneficiaries.

#### **Investment powers, policy and performance**

Under the terms of the Trust Deed, the Trustees have general powers of investment, subject to the provisions of the Trustee Act 2000. The Trustee has reviewed its investment strategy and produced an investment and fund strategy for 2013/14 which was approved by Monmouthshire County Council in its capacity as Trust administrator on 6<sup>th</sup> March 2013. Investments are strategically placed in low-risk investments. Investment performance is reviewed periodically in light of prevailing economic changes.

#### **Grant making policy**

Grants are made in pursuance of the Charity's objectives in assisting students in need to attend Usk Agricultural College, or at the discretion of the governing body, any other college, institution or university to pursue courses of study in agricultural subjects.

#### **Changes in fixed assets**

The movements in fixed asset investments during the year are set out in note 7 to the financial statements. During the year a new investment strategy was approved by the trustees and as a result two new investments were made, these are detailed in note 7.



## **Monmouthshire Farm School Endowment Trust Fund Annual report for year ended 31st March 2015**

### **Reserves**

The Fund consists primarily of the sale proceeds of the Former Monmouthshire Farm School by the governing body of the school to Monmouthshire County Council. The fund receives an annual payment from The Roger Edwards Educational Trust (Charity Number 525638) equivalent to two thirds of the annual investment and rental income accrued to the Foundation.

The Trust has reviewed its fund strategy and produced an investment and fund strategy for 2013-14 which states that it is the Trust's policy to maintain funds at approximately the current level and utilise the annual income received to fund its charitable expenditure. This was approved by Cabinet on the 5<sup>th</sup> March 2014.

### **Governance of the Charity**

Representative Trustees appointed by Monmouthshire County Council have a term of office equivalent to the term of a County Council (four years); the other representative Trustees have a term of office of three years and the co-operative Trustees have a term of office of five years. The Trustees are listed on page 1.

### **Risk management**

Monmouthshire County Council as appointed administrator of the Trust Fund periodically review the major risks to which the Charity is exposed as part of the Authority's overall risk management and financial control processes. The Roger Edwards Educational Trust provide significant income to this trust and forms the majority of income that can be used for grants. This income is received after the audited accounts have been agreed and therefore this is usually late in the financial year. A risk assessment policy was approved by Cabinet on 6<sup>th</sup> March 2013.

### **Auditors**

The Wales Audit Office are the appointed auditors to the Charity.

### **Trustees' responsibilities**

The Trustees are required by charity law to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Charity and of the net incoming/outgoing resources of the Charity as at the end of the financial year.

The Trustees confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31st March 2015. The Trustees also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **By order of the Trustees**

Trustee:

Date:

**Monmouthshire Farm School Endowment Trust Fund  
Annual report for year ended 31st March 2015**

**Report of the independent examiner to the trustee of  
Monmouthshire Farm Endowment Trust Fund**

I report on the accounts of Monmouthshire Farm Endowment Trust Fund for the year ended 31st March 2015, which are set out on pages 5 to 10.

**Respective responsibilities of trustee and independent examiner**

The charity's trustee is responsible for the preparation of the accounts. The charity's trustee considers that an audit is not required for this year under section 144(2) of the Charities Act 2011 and that an independent examination is needed.

It is my responsibility:

- To examine the accounts under section 145 of the 2011 Act;
- To follow the procedures laid down in the general directions given by the Charity Commission under section 145 (5) of the 2011 Act; and
- To state whether particular matters have come to my attention.

**Basis of independent examiner's report**

My examination was carried out in accordance with the general directions given by the Charity Commission. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking of explanations from you as trustee concerning such matters. The procedures undertaken do not provide all the evidence that would be required in an audit and consequently no opinion is given as to whether the accounts present a 'true and fair view' and the report is limited to those matters set out in the statement below.

**Examiner's statement**

In connection with my examination, no matter has come to my attention:

- which gives me reasonable cause to believe that in any material respect the requirements:
  - to keep accounting records in accordance with Section 130 of the 2011 Act; and
  - to prepare accounts which accord with the accounting records and to comply with the accounting requirements of the 2011 Act;have not been met; or
- to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Ann-Marie Harkin  
On behalf of the Auditor General for Wales  
Date:

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for year ended 31st March 2015**

**Statement of financial activities for the year ended 31st March 2015**

	Notes	2015 £	2014 £
<b>Incoming resources</b>			
Investment income	2	5,163	5,172
Receivable from The Roger Edwards Educational Trust Fund		37,328	56,161
<b>Total incoming resources</b>		<b>42,491</b>	61,333
<b>Charitable expenditure:</b>			
Costs of activities in furtherance of the Charity's objects			
Grants payable		44,200	39,192
Management and administration		2,257	2,288
<b>Total resources expended</b>	3	<b>46,457</b>	41,480
<b>Net incoming resources before transfers – surplus / (loss)</b>	4	<b>(3,966)</b>	19,853
<b>Net incoming resources before revaluations and investment asset disposals</b>		<b>(3,966)</b>	19,853
Gain / (Loss) on the revaluation and disposal of investment assets	5	27,346	(3,213)
<b>Net movement in funds – surplus / (loss)</b>		<b>23,380</b>	16,640
Fund balances brought forward 1 April		679,053	662,413
<b>Fund balances carried forward 31 March</b>		<b>702,433</b>	679,053

All incoming resources and resources expended are derived from continuing activities. There are no recognised gains or losses other than those disclosed above.

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for year ended 31st March 2015**

**Balance Sheet at 31st March 2015**

	Notes	2015 £	2014 £
<b>Fixed assets</b>			
Investments	7	477,869	40,523
		<b>477,869</b>	40,523
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	36,305	668,346
Cash at bank and in hand		192,786	0
		<b>229,091</b>	668,346
Creditors: amounts falling due within one year	9	4,527	29,816
<b>Net current assets</b>		<b>224,564</b>	638,350
<b>Total assets less current liabilities</b>		<b>702,433</b>	679,053
<b>Net assets</b>		<b>702,433</b>	679,053
<b>Reserves:</b>			
Endowment Funds	10	702,433	679,053
<b>Total funds</b>		<b>702,433</b>	679,053

The accounts were approved by the Trustees on 22nd July 2015 and signed on their behalf by:

Trustee:

Date:

**Monmouthshire Farm School Endowment Trust Fund  
Annual report for year ended 31st March 2015**

**Notes to the financial statements for the year ended 31<sup>st</sup> March  
2015**

**1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and the Statement of Recommended Practice (SORP) published in October 2005. A summary of the principal accounting policies, which have been applied consistently, are set out below.

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention, as modified by the inclusion of investments at market value. During the year the Charity reviewed its accounting policies in accordance with FRS18 'Accounting Policies'. No accounting policies have been changed as a result.

**Resources expended**

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

**Incoming Resources**

All income received is accounted for on a receivable basis and has been classified under the appropriate categories.

**Grants payable**

Grants payable are accounted for in full as liabilities of the Charity when approved by the Trustees and accepted by the beneficiaries.

**Management and administration**

Monmouthshire County Council administer the Trust Fund on behalf of the Trustees. Management and administration costs include expenditure on administration of the Charity and compliance with constitutional and statutory requirements, and an appropriate apportionment of support service recharges and overhead apportionments.

**Irrecoverable VAT**

Any irrecoverable VAT is charged to the statement of financial activities, or capitalised as part of the cost of the related asset, where appropriate.

**Recognition of liabilities**

Liabilities are recognised when an obligation arises to transfer economic benefits as a result of past transactions or events.

**Fund accounting**

General funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the Charity. Investment income and gains are allocated to the appropriate fund.

**Investments**

Investments are included at market value at the balance sheet date. Any realised and unrealised gains and losses on revaluation or disposals are combined in the statement of financial activities.

**Cash flow statement**

The Charity is exempt from publishing a cash flow statement as it qualifies for exemption as a small charitable company under Financial Reporting Standard 1 paragraph 5(f) on the basis that it meets the relevant conditions and size criteria specified in the Companies Act 1985 (Accounts of Small and Medium-Sized Companies and Minor Amendments) Regulations 1997 (SI 1197/220).

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for year ended 31st March 2015**

**2 Investment income**

	2015	2014
	£	£
Interest on government securities	0	1,750
Interest on cash balances	2,591	3,033
Interest on Investments	2,572	389
	<b>5,163</b>	<b>5,172</b>

**3 Resources expended**

	2015	2014
	£	£
Grants payable	44,200	39,192
Management & administration	2,257	2,288
	<b>46,457</b>	<b>41,480</b>

Grants payable comprise numerous payments to individual students in respect of part-time courses attended. It is not possible to provide further details due to restrictions of confidentiality.

**4 Net incoming resources**

	2015	2014
	£	£
Net incoming resources is stated after charging:		
Auditor's remuneration	1,701	2,088
	<b>1,701</b>	<b>2,088</b>

Though no specific indemnity insurance has been purchased by the Charity, the Fund is covered by Monmouthshire County Councils' fidelity guarantee insurance. Insurance covers financial losses incurred as a result of fraudulent acts conducted by Authority employees but does not cover the Trustee for any wrong decisions that may have been made.

**5 Gains and losses on revaluation and disposal of investment assets**

	Market Value 31/03/14	Additions	Market Value 31/03/15	Gain/(Loss)
	£	£	£	£
2.5% Consolidated Stock	40,523	0	70,329	29,806
Charibond		210,000	205,538	(4,462)
OEIC		200,000	202,002	2,002
Total	40,523	410,000	477,869	27,346

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for year ended 31st March 2015**

**6 Taxation**

The Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the Charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

The Charity falls with Monmouthshire County Council regulations for VAT, and therefore any liability is accounted for within Monmouthshire County Council.

**7 Fixed asset investments**

	<b>Total</b>
	<b>£</b>
Valuation at 1 April 2014	<b>40,523</b>
Additions	<b>410,000</b>
Disposals at opening market value	<b>0</b>
Net revaluation (loss) / gain	<b>27,346</b>
<b>Valuation at 31 March 2015</b>	<b>477,869</b>

Fixed asset investments solely consist of the quoted investments. All investments are stated at their market value at 31st March 2015. The historical cost of the investments at 31st March 2015 was £434,474. All of the Charity's investments are quoted in the UK. During the year a new investment strategy was approved by the trustees and as a result two new investments were made. The details of these are disclosed in the table below, being Charibond and OEIC Fund.

Investments with a market value greater than 5% of the total portfolio market value at 31st March 2015 are as follows:

	<b>£</b>	<b>%</b>
Consolidated 2.5% stock	40,523	9.0%
Charibond	210,000	46.6%
OEIC Fund	200,000	44.4%

The percentage shown above is the percentage of the total portfolio market value as at 31<sup>st</sup> March 2015.

**8 Debtors**

	<b>2015</b>	2014
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year</b>		
Accrued interest receivable	<b>0</b>	5,493
Receivable from The Roger Edwards Educational Trust Fund	<b>36,000</b>	76,161
Barclays Bank	<b>0</b>	586,342
HM Revenue and Customs	<b>305</b>	350

**Monmouthshire Farm School Endowment Trust Fund**  
**Annual report for year ended 31st March 2015**

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**36,305**      668,346

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**9 Creditors**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<hr/>		
<b>Amounts falling due within one year</b>		
Accruals and deferred income	<b>4,527</b>	29,816
	<b>4,527</b>	29,816

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**10 Funds**

	Balance 1 April 2014	Incoming resources	Resources Expended	Investment Gain/(Loss)	Balance 31 March 2015
	£	£	£	£	£
Permanent endowed funds	679,053	42,491	(46,457)	27,346	<b>702,433</b>

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**11 Related party transactions**

No remuneration directly or indirectly out of the funds of the Charity was paid or payable for the year to any trustee. Payments have been made to Monmouthshire County Council respect of management and administration expenses.



# Independent Examination of Financial Statements Report

## Monmouthshire Farm School Endowment Trust Fund

**Financial year:** 2014-15

**Issued:** October 2015

**Document reference:** 458A2015

### **Purpose of this document**

This document is a draft supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the conclusions reached.

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## Status of report

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This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties.

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The team who delivered the work were Ann-Marie Harkin, Steve Wyndham, Anthony Ford and Jane Davies

# Contents

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It is our intention to issue an unqualified examiner's report on the 2014-15 financial statements.

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# Summary report

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## Introduction

1. The trustees of Monmouthshire Farm School Endowment Trust Fund (the Fund) are responsible for preparing the financial statements in accordance with the Charities Act 2011 (the Act). They considered that an independent examination is needed of them is needed this year, under section 144(2) of the Act.
2. We are responsible for providing an independent examiner's report on the Fund's financial statements as at 31 March 2015. An independent examination involves reviewing whether the charity has, in all material respects:
  - maintained accounting records in accordance with Section 130 of the Act; and
  - prepared accounts which accord with the accounting records and comply with the accounting requirements of the Act.
3. We are also required to report to you any matter that we believe needs to be highlighted in order that a proper understanding of the accounts is reached before the accounts are approved by the trustees. Where this is the case, our team has already discussed these issues with officers.

## Proposed examination report

4. We intend to issue an unqualified examination report on the financial statements. Our proposed report is set out in [Appendix 1](#).

## Significant issues arising from our examination

5. There is one significant issue to report. The financial statements of the Fund include an income distribution of £37,238 from the Roger Edwards Educational Trust Fund. As per the deeds of the charity, this distribution is based on a two-thirds share of the annual income of the Roger Edwards Educational Trust Fund which is payable following the audit of that Trust Fund. However, as the external examination of the accounts of that Trust Fund is not yet complete, as at October 2015, uncertainty exists concerning the final income distribution payable to the Farm School Fund.
6. In addition, one amendment was made to the draft accounts which resulted in investment values and investment gains being increased by £3,213.
7. Information was provided to us in a timely and helpful manner and we are appreciative of the assistance provided by officers to facilitate the completion of our examination.

# Appendix 1

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## Proposed report of the independent examiner to the trustees of Monmouthshire Farm School Endowment Trust Fund

I report on the accounts of Monmouthshire Farm School Endowment Trust Fund for the year ended 31 March 2015, which are set out on pages 5 to 10.

### Respective responsibilities of trustees and independent examiner

The charity's trustees are responsible for the preparation of the accounts. The charity's trustees consider that an audit is not required for this year under section 144(2) of the Charities Act 2011 (the 2011 Act) and that an independent examination is needed.

It is my responsibility:

- to examine the accounts under section 145 of the 2011 Act;
- to follow the procedures laid down in the general Directions given by the Charity Commission under section 145(5)(b) of the 2011 Act; and
- to state whether particular matters have come to my attention.

### Basis of independent examiner's report

My examination was carried out in accordance with the general Directions given by the Charity Commission. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking of explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit and consequently no opinion is given as to whether the accounts present a 'true and fair view' and the report is limited to those matters set out in the statement below.

### Examiner's statement

In connection with my examination, no matter has come to my attention:

- which gives me reasonable cause to believe that in any material respect the requirements:
  - to keep accounting records in accordance with Section 130 of the 2011 Act; and
  - to prepare accounts which accord with the accounting records and comply with the accounting requirements of the 2011 Acthave not been met; or

- 
- to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Ann-Marie Harkin  
On behalf of the Auditor General for Wales  
Date:

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

DRAFT



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Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)





## REPORT

**SUBJECT: TREASURY HALF YEAR REPORT 2015/16**

**MEETING: Audit Committee**

**DATE: 22<sup>nd</sup> October 2015**

**DIVISION/WARDS AFFECTED: Countywide**

### 1. PURPOSE:

- 1.1 The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to annually produce Prudential Indicators and a Treasury Management Strategy Statement on their likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. The Head of Finance, as S151 Officer, reports twice a year (mid-year and after the year-end) on Treasury activity to the Audit Committee who provide scrutiny of treasury policy, strategy and activity on behalf of the Council.

### 2. RECOMMENDATIONS:

- 2.1 That Members note the results of treasury management activities during the first half of 2015-16.

### 3. KEY ISSUES:

- 3.1 In summary many of the longer term key aspects remains as per the 2014-15 outturn as the Council has not arranged any new long term borrowing and continues to make short term borrowing and lending decisions. For ease of reference, the 2014-15 outturn position was,

<u>Capital Financing Requirement</u>	£122.9million	
<u>Funded by External Loans</u>		
Short Term	£32.8 million	Avg rate 0.46%
Long Term	£66.5 million	Avg rate 4.74%
Sub Total	£99.3 million	Increase of £1.4 million on 2013-14 outturn

		Average interest rate of 3.45%, improvement of 0.2% on previous year profile
<u>Other Long term Liabilities</u>	£1.2 million	PFI and finance lease obligations, plus contractor bonds and deposits
Total Debt	£100.5 million	
<u>Investments</u>		
Short Term	(£12.2 million)	Increase of £1.3 million on 2013-14 outturn  Avg rate 0.44%  Avg investment period 25.5 days
Net Investments @ outturn	(£12.2 million)	

3.2 In comparison, the short term borrowing and investment balances as at end of September 2015 were,

Investments                    £20.3 million at an average return of 0.44%

Short term loans        £25 million at an average interest rate of 0.47%

This approach evidences very little cost of carry.

3.3 Members may also benefit from a refresher about the Council's situation with regard to Lender's Option Borrower's Option loans, or LOBOs as they are commonly called, which have been made newsworthy over this last 6 months, with television programmes and articles referring to them as being "high risk".

The Council has 3 LOBO loans totaling £13.6m. These loans were taken out as part of a measured and prudent Treasury management strategy, and weren't significantly dissimilar to long term fixed rates available at the time. Consequently they carried little risk. Any prudent treasury strategy involves splitting the overall requirement between variable and fixed rate instruments so that the interest rate exposure risk is spread. To put it simply, we'd wish to avoid putting all our eggs in one basket.

News reports can suggest that : "interest rates can rise higher and higher and leave the council 'locked in' for a long period of time. LOBO rates can be regarded as semi-fixed borrowing, and the reality is that while the lender has the opportunity to propose a rate change, the council doesn't need to accept it. Instead, we can repay and arrange alternate financing, this would likely be the course of action given current market conditions.

Ironically, if we wished to redeem a similar fixed term facility from 10 years ago, the council would likely pay a premium on repayment, so in that regard LOBO's could be regarded as providing a greater flexibility and opportunity to restructure at a more economic cost than equivalent fixed term instruments - whilst having reduced interest rate exposure risk compared to a completely variable rate facility.

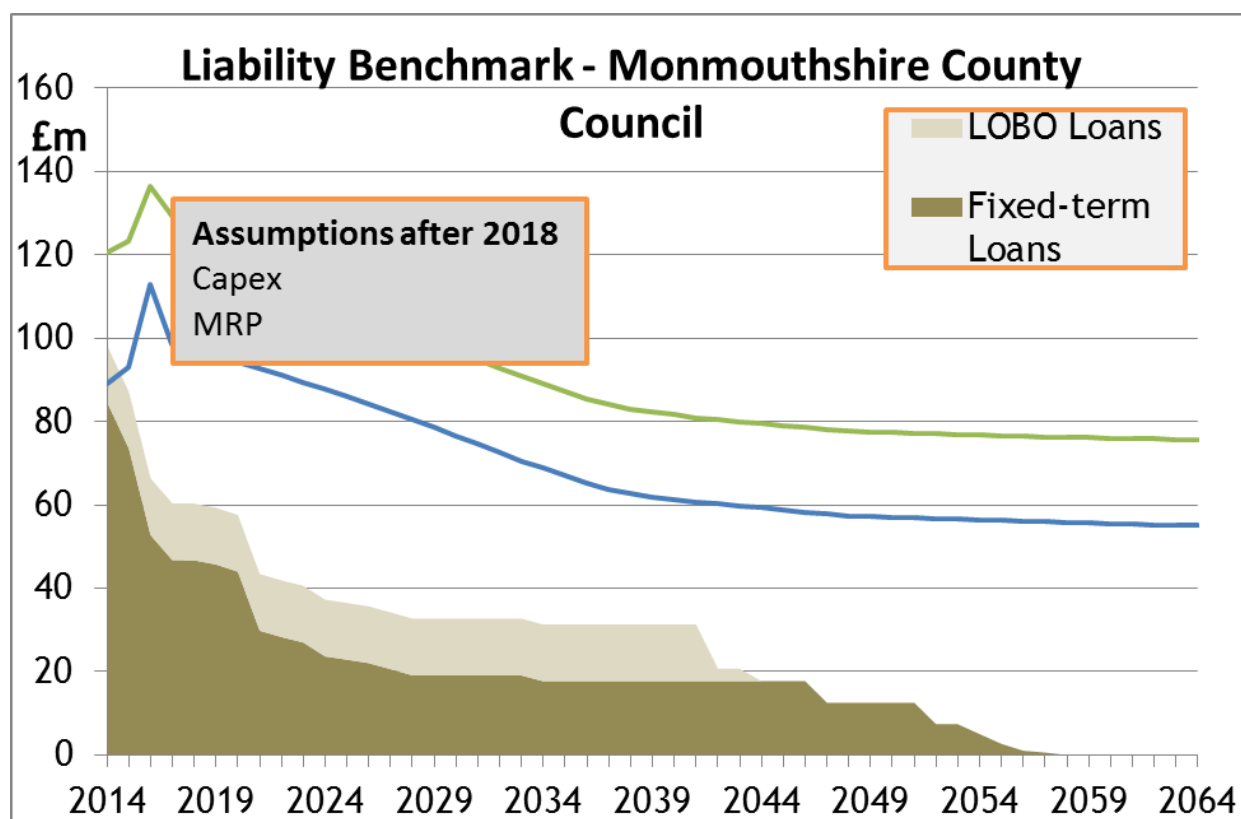
In short, please be reassured that MCC's limited LOBO loan portfolio does not constitute a high risk approach for this council.

### **3.3 Market Conditions**

3.3.1 Monmouthshire continues to minimise the amount of external borrowing by taking advantage of reserves and capital receipts balances (internal borrowing). This did result at outturn in lower investment balances (£12.2.8m) of more of a short term nature but is a very cost effective treasury strategy given cost of borrowing that is avoided. This strategy has continued during 2015-16. The investment levels are higher at the moment but this is commonplace for this time of year and it is usual to see variable levels of investment and borrowing on a daily basis with a short term approach to managing a largely neutral cashflow position.

3.3.2 The Welsh Government’s Guidance on Investments, effective from 1st April 2010, reiterated security and liquidity as the primary objectives of a prudent investment policy before yield. The Authority’s strategy has always adopted a risk averse approach which compliments this guidance.

3.3.3 The UK Bank Rate continues to remain at 0.5% and has been this way since 2009 and money market rates remain at historic lows. Combined with a trend in deterioration in counterparty credit quality, this has had a significant impact on investment income, but low bank base rates also serves to keep short term borrowing costs depressed, to the extent that our cost of carry is negligible concerning short term cashflows. Treasury consultants suggest that we will likely start to see rate rises in 2016-17, which is likely to accord with our net need to increase borrowing as indicated in the following graph from 2015-16 Strategy document, and may prudently involve decisions to borrow a greater extent longer term again.



### 3.4 Prudential Indicators and Treasury Management Indicators

3.4.1 The Authority has operated within the set prudential indicators, as outlined in the Treasury Management Strategy approved by Council for the year. The more evidential ones include,

#### Operational Boundary for External Debt

	2013/14 Actual £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
Borrowing	99.9	99.0	120.2	120.4	116.2	119.7

Other long term liabilities	1.3	1.2	1.1	1.1	1.1	1.0
	<b>101.2</b>	<b>100.2</b>	<b>121.3</b>	<b>121.5</b>	<b>117.3</b>	<b>120.7</b>

### Ratio of financing costs to net revenue stream

Estimates of the ratio of financing costs to net revenue stream for the current and future years, are:

	2013/14 Actual %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
Ratio of financing costs to net revenue stream	5.79	6.47	6.33	6.50	7.00	7.07

3.4.2 All investments made during the year have complied with this agreed Treasury Management Strategy. Maturing investments were repaid to the Council in full and in a timely manner. Counterparty credit quality has been maintained through the period, despite declining credit ratings, and the need to mitigate the risks associated with potential bank “bail ins”.

3.4.3 Unusually there has been one deficiency evident during the period which requires reporting, and that involved having £4.8 million with one counterparty which breached agreed Treasury Strategy limits. This occurred on 18<sup>th</sup> August when the Council’s banking team unfortunately didn’t make the instructed investment deposits to the Debt Management Office of £1million overnight and £3m for 2 days, and the Police precept payment of £786,000. This resulted in the Council’s bank account holding surplus cash overnight. The oversight was corrected and payments made the following day. Subsequent review indicated a simple miscommunication where one member of the team thought another was arranging it. This weakness has been tightened up subsequently.

#### 3.4.4 Minimum Revenue provision

Alongside consideration and agreement of the annual Treasury Strategy, members also consider the minimum revenue provision approach. Officers are currently reviewing the present approach, and are intent to bring a separate paper to members shortly to consider some refinements in approach designed to alter the profile of costs.

## 4. REASONS:

4.1 The Authority’s Treasury Management Strategy has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management 2011.

4.2 The code includes the requirement for determining a treasury strategy on the likely financing and investment activity for each financial year.

4.3 The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

**5. RESOURCE IMPLICATIONS:**

The borrowing and investment activity is broadly neutral at the moment, and in accord with Treasury strategy guidelines and related budgets. There are no other resource implications arising directly from this report.

**6. EQUALITY AND SUSTAINABLE DEVELOPMENT IMPLICATIONS:** None

**7. CORPORATE PARENTING IMPLICATIONS:** None

**8. CONSULTEES:** Technical performance report on matters of fact. No consultation necessary

**9. BACKGROUND PAPERS:** None

**10. AUTHOR:**

Mark Howcroft

Assistant Head of Finance

**11. CONTACT DETAILS:**

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**SUBJECT: INTERNAL AUDIT SECTION  
PROGRESS REPORT 6 Months into 2015/16**

**DIRECTORATE: Chief Executive's  
MEETING: Audit Committee  
DATE: 22<sup>nd</sup> October 2015  
DIVISION/WARDS AFFECTED: All**

## 1. PURPOSE

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 30<sup>th</sup> September 2015.

To consider the performance of the Internal Audit Section over the first 6 months of the current financial year.

## 2. RECOMMENDATION(S)

That the Committee note the audit opinions issued.

That the Committee 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.

## 3. KEY ISSUES

3.1 The Section has started to undertake its programme of audits in accordance with the 2015/16 Operational Audit Plan.

3.2 This report gives brief details of the work undertaken in the year to date. The report also gives details of the Section's performance indicators for the 6 months to 30<sup>th</sup> September 2015.

3.3 The Public Sector Internal Audit Standards came into force in April 2013 which the Internal Audit team needs to demonstrate it is compliant with; these replaced the former Code of Practice for Internal Audit within Local Government. The new standards have been reported to the Audit Committee separately.

## 4. REASONS

- 4.1 Since the start of the financial year, the Internal Audit Section has completed 15 audit jobs from its 2015/16 Operational Audit Plan, two of which were opinion related. As at 30<sup>th</sup> September 2015, 2 grant claims have been given an unqualified audit opinion. These reports are listed in the table shown in Appendix 1.
- 4.2 One report related to the annual governance statement where no opinion was given, but this forms part of the Council's annual financial statements and financial advice was given in several areas.
- 4.3 The definitions of the five internal audit opinions and the risk ratings used by the Section are provided at Appendix 2 for Members' information. These audit opinions are currently under review.
- 4.4 Finalisation work from 2014/15 continues; of the 14 reviews at draft report stage at 31 March 2015, 7 have subsequently been finalised:

Audit Review	Audit Opinion
Treasury Management	Very Good
Cashiers	Good
Bank Reconciliation	Good
Procurement	Unsatisfactory
Llandogo Primary	Reasonable
Usk Primary	Good
Chepstow Leisure Centre	Good

- 4.5 Audit management have also been involved with 6 special investigations to date this year, some of which have continued from 2014/15; these are often very sensitive and time consuming. Work has been undertaken on 3 unplanned areas, providing additional advice and support for service managers.
- 4.6 Appendix 3 of the report gives details of the Section's performance indicators as at 30<sup>th</sup> September 2015.
- 4.7 Although only 2 audit reviews were finalised in the quarter, the acceptance of audit recommendations was good at 99%. Evaluation questionnaires have not yet been returned from operational managers so no data is available to measure how were satisfied they were with the audit service they had received.
- 4.8 Draft reports have taken 17 days to issue following receipt of management comments. It has taken 34 days to issue final report.
- 4.9 Getting audit reports out to service managers are key indicators. The audit management will endeavour to continue to turnaround the work within the target time set for draft and final reports.



- 4.10 The percentage coverage of the audit plan at 23% (43% 2014/15) is lower than the same period of the previous year and below the profiled target of 30% at this stage of the financial year. Management will keep this indicator under careful review for the rest of the year to ensure that the audit coverage by the year end is as comprehensive as possible. The operational plan will be re-prioritised to ensure the higher risk areas are covered by the year end if resources become an issue again.
- 4.11 The team started the year with an ongoing vacancy. An Interim Principal Auditor was appointed during May to help support the resources within the team and help achieve more of the audit plan. One of the Senior Auditors left the team during quarter one to take up a new post within the Authority. These two vacancies will be filled within the next two months on a permanent basis. There was an unexpected absence within the team and further on the job training was required for inexperienced staff new to the team.
- 4.12 The team also took time out of planned work to develop a new reporting format to improve the efficiency and effectiveness of audit work. Audit opinions are also in the process of being revised and updated in order to give a better understanding of the level of assurance gained from undertaking the audit work. These will be presented to Audit Committee in due course.
- 4.13 In quarter 1 the team get involved with the verification and validation of the Council's annual performance indicators before they are submitted to Welsh Government. This is often a time consuming exercise with tight timescales. The team are also involved with the administration of the National Fraud Initiative (NFI) data sets on behalf of the Council.

## **5. SERVICE MANAGEMENT RESPONSIBILITIES**

- 5.1 Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and demonstrate this by including their management responses within the audit reports. When management agree the audit action plans they are accepting responsibility for addressing the issues identified within the agreed timescales.
- 5.2 Ultimately, managers within MCC are responsible for maintaining adequate internal controls within the systems they operate and for ensuring compliance with Council policies and procedures. All reports, once finalised, are sent to the respective Heads of Service for information and appropriate action where necessary.

## **6. FOLLOW UP AUDIT REVIEWS**

- 6.1 Where unsatisfactory and unsound opinions are issued, they are followed up within a twelve month timescale to ensure that the agreed actions have been taken by management and that the internal control systems are improved. These will be reported separately to the Audit Committee.

## **7. RESOURCE IMPLICATIONS**

None.

## **8. CONSULTEES**

Head of Finance

### **Results of Consultation:**

N/A

## **9. BACKGROUND PAPERS**

Operational Audit Plan 2015/16

## **10. AUTHORS AND CONTACT DETAILS**

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## AUDIT COMMITTEE OCTOBER 2015

### INTERNAL AUDIT SECTION PROGRESS REPORT 2015/16 – 6 MONTHS

#### APPENDIX 1

Internal Audit reviews from the 2015/16 Operational Audit Plan where fieldwork has been completed and/or final reports issued since 1/4/15 are listed in the table below.

Internal Control Opinions give the auditor's overall conclusion on the control environment operating in each system/establishment under review. Opinions range from very good through to unsound.

Draft issued indicates that a draft report has been issued and a response is awaited from the client before the report can be finalised.

### Status of reports as at 30 September 2015

#### Internal Audit Services - Management Information for 2015/16 – Quarter 2

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Complete when FINALISED	Opinion given
P15/16/10	Chief Executive's	Policy & Engagement	NSI's & SID's Pis	Medium		Good
P15/16/11	Chief Executive's	Policy & Engagement	Local Pis	Medium		Good

P15/16/19	Children & Young People	Standards	Foundation Phase Revenue Grant	Medium	Finalised	Unqualified
P15/16/43	Enterprise	Community-led Delivery	Digital Inclusion Grant	Low	Finalised	Unqualified

P15/16/62	Corporate	Corporate	Annual Governance Statement	Not Applicable	Finalised	
P15/16/63	Corporate	Corporate	NFI	Medium		
P15/16/07	Chief Executive's	Finance	Audit Advice			
P15/16/09	Chief Executive's	Democracy & Regulatory Services	Audit Advice			

P15/16/18	Children & Young People	Resources	Audit Advice			
P15/16/34	Children & Young People	Schools	Audit Advice			
P15/16/39	Enterprise	Commercial & People Development	Audit Advice			
P15/16/44	Enterprise	Community-led Delivery	Audit Advice			
P15/16/47	Enterprise	Tourism, Leisure & Culture	Audit Advice			
P15/16/58	Social Care & Health	Commissioning	Audit Advice			
P15/16/60	Social Care & Health	Resources & Performance	Audit Advice			

### Internal Audit Opinions

Each report contains an opinion which is an overall assessment of the control environment reviewed. The full list of audit opinions used is shown below:

Opinion	Description
<b>VERY GOOD</b>	Very well controlled with minimal risk identified; a few minor recommendations.
<b>GOOD</b>	Well controlled although some risk identified which needs addressing.
<b>REASONABLE</b>	Adequately controlled although some risks identified which may compromise the overall control environment.
<b>UNSATISFACTORY</b>	Not very well controlled; unacceptable levels of risk identified; changes required urgently.
<b>UNSOUND</b>	Poorly controlled; major risk exists; fundamental improvements are required with immediate effect.

### Recommendation Ratings

Each recommendation contained within the Internal Audit report has a 2 part priority rating. The number refers to Internal Audit assessment attached to the relevant weakness identified, whilst the letter relates to the urgency with which we believe the recommendation should be implemented (see tables below).

Rating	Assessment of the Weakness Identified
1	Fundamental weakness.
2	Highly significant weakness.
3	Significant weakness.
4	Minor weakness.

Rating	Proposed Timescale for Implementation
A	Should be actioned immediately
B	Should be implemented as soon as possible but within 3 months.
C	Ongoing requirements or within 12 months.

**Unqualified** opinion - the terms and conditions of the grant were generally complied with;

**Qualified** opinion - the terms and conditions of the grant were not fully complied with

**AUDIT COMMITTEE OCTOBER 2015**

**INTERNAL AUDIT SECTION PROGRESS REPORT  
2015/16 – 6 MONTHS**

**APPENDIX 3**

**Performance Indicators**

	<b>2014-15</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Target</b>
1	Percentage of planned audits completed	32%	43%	47%	65%	50% (80% pa)
2	Percentage of audits completed within planned time	0%	0%	0%	0%	60%
3	Average no. of days from audit closing meeting to issue of a draft report	9 days	35 days	40 days	52 days	12 days
4	Average no. of days from receipt of response to draft report to issue of the final report	4 days	12 days	33 days	29 days	5 days
5	Percentage of recommendations made that were accepted by the clients	100%	99%	95%	96%	90%
6	Percentage of clients at least 'satisfied' by audit process	N/A	100%	100%	91%	90%
7	Percentage of directly chargeable time (actual v planned)	94%	92%	86%	85%	100%
8	Number of special investigations	3	5	6	6	

	<b>2015/16</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Target</b>
1	Percentage of planned audits completed	14%	23%			20% (80% pa)
2	Percentage of audits completed within planned time	0%	50%			60%
3	Average no. of days from audit closing meeting to issue of a draft report	3 days	17 days			12 days
4	Average no. of days from receipt of response to draft report to issue of the final report	12 days	34 days			5 days
5	Percentage of recommendations made that were accepted by the clients	100%	99%			90%
6	Percentage of clients at least 'satisfied' by audit process	N/A	N/A			90%
7	Percentage of directly chargeable time (actual v planned)	94%	81%			100%
8	Number of special investigations	6	7			

N /A – not available



**SUBJECT: INTERNAL AUDIT SECTION  
PROGRESS REPORT ON  
UNSATISFACTORY / UNSOUND AUDIT  
OPINONS**

**DIRECTORATE: Chief Executive's  
MEETING: Audit Committee  
DATE: 22<sup>nd</sup> October 2015  
DIVISION/WARDS AFFECTED: All**

## 1. PURPOSE

To update Members on the progress of Unsatisfactory / Unsound audit opinions issued since 2012/13 by the Internal Audit team.

## 2. RECOMMENDATION(S)

2.1 That the Audit Committee note the improvements made by service areas following the original Unsatisfactory / Unsound audit opinions issued.

Or

2.2 That if the Audit Committee are concerned about any of the audit opinions issued or lack of improvement made after the follow up audit review, consideration be given to calling in the operational manager and the Head of Service to provide justification for lack of progress and hold them to account for future improvements.

## 3. KEY ISSUES

3.1 The number of unfavourable audit opinions issues by Internal Audit is not that significant compared to the total number of audit opinions issued in any one year, but nonetheless, they are issued where serious weaknesses in internal control have been identified.

3.2 All of the systems / establishments issued with an unfavourable audit opinion originally have improved to some extent prior to the audit team undertaking a follow up review. The majority of reviews were given a

more favourable opinion which recognises that issues identified originally were subsequently addressed by management.

#### 4. REASONS

4.1 The audit opinions currently used within the team were introduced into the audit reports at the beginning of 2008/09 and are as set out in Appendix 1. The opinion gives an indication of the adequacy of the internal control environment of the system or establishment under review and ranges from *Very Good* to *Unsound*. The reviews are now risk assessed as High, Medium or Low. The audit opinions are currently under review.

4.2 Previous report was presented to Audit Committee March 2015.

4.3 The following unfavourable audit opinions have been issued since 2008/09 (Details at Appendix 2):

	Unsatisfactory	Unsound
2008/09	2	3
2009/10	4	1
2010/11	2	0
2011/12	4	1
2012/13	2	0
2013/14	0	0
2014/15	6	

4.4 In 2012/13 the reports were as follows:

	Assignment	Risk H/M/L	Rating	Revised Opinion	Date Issued
<b>2012-13</b>	Community Recreation Centres – Usk (Follow Up)	N/A	Unsatisfactory	Reasonable	March 2014
	Monmouthshire Enterprises (Social Care)	Medium	Unsatisfactory	*	

\* This review turned into a special investigation; the issues identified will be picked up within future audits within this area; see para 4.6 below.

4.5 In 2013/14, no audit reports were issued with an Unsatisfactory or Unsound audit opinion. The team did audit some grant claims during the year; one of which resulted in a qualified audit opinion being issued.



4.6 In 2014/15, 6 audit reports have been issued with an Unsatisfactory audit opinion;

- a. Passenger Transport Unit
- b. Procurement - Off Contract Purchasing
- c. Llandogo Primary (13/14)
- d. Chepstow School (13/14)
- e. Llanfair Kilgeddin Primary School
- f. Monmouthshire Enterprises

	Assignment	Risk H/M/L	Rating	Revised Opinion	Date Issued
<b>2014/15</b>	Passenger Transport Unit	Medium	Unsatisfactory		
	Procurement - Off Contract Purchasing	Medium	Unsatisfactory		
	Llandogo Primary (13/14)	Medium	Unsatisfactory		
	Chepstow School (13/14)	Medium	Unsatisfactory		
	Llanfair Kilgeddin Primary School	Medium	Unsatisfactory		
	Monmouthshire Enterprises (Social Care)	Medium	Unsatisfactory		

4.7 Llandogo Primary School and Chepstow School (Draft) have been reported to Audit Committee previously (March 2015).

4.8 The main issues were:

**a. Passenger Transport Unit**

- Vehicle procurement was not openly advertised as required prior to the selection process taking place;
- The process for selecting successful suppliers of used vehicles was not open and transparent;
- Mechanical inspections of second hand vehicles were not adequately evidenced prior to purchase;

- It was unclear during the review if the use of external maintenance (for some maintenance) was a cost effective solution for the Authority;
- A maintenance contract (above EU Procurement thresholds) was signed without any tender process taking place;
- One vehicle was identified which was not serviced within the required timeframe but remained operational;
- There was no system in place to actively monitor individual vehicle maintenance costs to inform future budgetary and vehicle replacement decisions;
- Information could not be provided on a sample of private hire bookings selected as information relating to those bookings had not been retained;
- The real cost of providing private hire bookings was unclear. The current costing system does not take into account vehicle maintenance, purchase costs or any administration in the booking process. In addition, inaccuracies were found in the costing used;
- Clients of private hire bookings were not informed of the terms and conditions of booking and at the time of review the conditions requiring payment before the journey was not being implemented;
- The 2013/14 budget was overspent, and an overspend is already being forecast for 2014/15. This was caused by both an overspend on expenditure and also failure to hit the budgeted income;
- High levels of debt continue to exist with private hire bookings.

#### **b. Procurement - Off Contract Purchasing**

- The operating model in place with employees from across each Directorate undertaking procurement and then reporting the information centrally was found to be flawed, and potentially exposes the authority to an unacceptable level of risk. There were also issues with the key control documentation being outdated and not readily available to staff.
- The review undertaken highlighted that the communication levels between Directorate staff and the Strategic Procurement team is poor. Fundamentally there seemed to be a lack of information sharing taking place
- In 2012 The Welsh Government (WG) set out their aims for procurement within Local Authorities – MCC had an overall

procurement maturity score of just 31%. These results were significantly below the Welsh and UK averages.

- there are currently just two procurement professionals in the team - 25% of the required number.
- there were a number of the other key WG procurement principles that MCC could not demonstrate compliance with
  - Contract Procedure Rules had not been updated for over 5 years;
  - The Authority's Procurement Strategy set in 2008 had expired at the end of December 2013;
  - There was no Register of Corporate Contracts;
  - Strategic Procurement were not routinely notified when contracts valued at above £25k were awarded by directorate staff;
  - There was no evidence of regular and effective review of off contract spending (although without a register of Corporate Contracts this would be extremely difficult to do).

#### **e. Llanfair Kilgeddin Primary School**

- There was no formal approval of the 2014/2015 budget;
- Collection and deposit sheets had not been produced since April 2014 and the copies on file from this time had not been reviewed by the former Headteacher;
- No paying-in slips were signed or initialled by the former Headteacher to indicate checks between deposit values and income analysis;
- School meal debt was extremely high for the number of pupils on roll. At 15<sup>th</sup> October 2014 debt stood at £2,071.08, with 24 pupils owing dinner money and eight of these pupils owing in excess of £100. Parents were encouraged to pay on a termly basis. A review of debt letters showed parents with debt were sent reminder letters in May, July and October 2014 by the School;
- The School currently faces a forecasted year end deficit balance of £22,405 mainly due to unplanned employee costs. Despite this, there was no recovery plan in place at the time of the audit;

- The School had not used the Agresso POPs system for any payments made between April 2014 and September 2014;
- Since the local authority assumed control of the budget there were issues with both purchase orders and supplier invoices building up in the system awaiting approval. For supplier invoices paid in the summer term there was no evidence that the previous Headteacher had approved the expenditure either by signing the invoice or approving using the Agresso system;
- A review of personnel files held at the School revealed there was missing documentation;
- An employee had finished one of their posts on 31<sup>st</sup> July 2014, however the School Administrator had been unable to terminate the post on the Resourcelink system and the changes were not processed until September 2014. As a result of this the employee was over paid for both August and September 2014;
- There was no monthly bank reconciliation of the Private Fund;
- There was no bank mandate for the Private Fund held at the School however discussions with staff confirmed signatory details held by the bank were out of date;
- Controls over the School's occasional use of the Jigsaw minibus were lacking;
- Private fund payments included one reimbursement for items that were related to school budget; and
- The audited statement of the Private Fund accounts was not available at the time of the audit.

**f. Monmouthshire Enterprises**

- The operation of the Development Fund was inappropriate and in breach of the Authority's previous Financial Regulations (in place at the time the Fund was established). The Fund is now only used for limited purposes – collecting income on behalf of the residual ME services and reimbursing MCC budgets for relevant costs. However, a final decision is required on the winding up of the Fund and the redistribution of remaining balances to ongoing services;
- Formal bank reconciliations for the Development Fund were not being undertaken;
- The lease for Swan Craft Studio was found to have expired, although the service is continuing to occupy the site and pay rent to the landlord;

- No insurance cover had been arranged for the contents of Swan Craft Studio, nor for the safes in use at any of the three Monmouthshire Enterprise Services;
- No formal agreements covering pricing, commission, VAT, personal tax liabilities, etc. have been established with the individuals whose products are sold at Swan Craft Studio – many of whom are understood not to be service users, raising questions over the purpose of the Studio; and
- The Service budgets were not appropriately aligned for the current delivery arrangements and needed amendment to reflect the changes introduced by My Day, My Life. In Audit's view the opportunity should also be taken to delegate budget responsibility to individual service managers closer to the point of delivery rather than retain with the Group Manager.

4.9 These audit reviews will be followed up by the audit team within 6 to 12 months of the final report being issued to ensure that action has been taken to address the weakness identified.

4.10 As part of all audit reviews, the issues identified at the previous audit are followed up to ensure that they have been adequately addressed, which should provide assurance on the effectiveness of the internal control environment for that particular service, system or establishment.

## **5. SERVICE MANAGEMENT RESPONSIBILITIES**

5.1 Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and demonstrate this by including their management responses within the audit reports. When management agree the audit action plans they are accepting responsibility for addressing the issues identified within the agreed timescales.

5.2 Ultimately, managers within MCC are responsible for maintaining adequate internal controls within the systems they operate and for ensuring compliance with Council policies and procedures. All reports, once finalised, are sent to the respective Heads of Service for information and appropriate action where necessary.

## **6. RESOURCE IMPLICATIONS**

None.

**7. CONSULTEES**

Head of Finance

**8. BACKGROUND PAPERS**

Audit management Information 2012/13, 2013/14, 2014/15. 2015/16

**9. AUTHOR AND CONTACT DETAILS**

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### Internal Audit Opinions

Each report contains an opinion which is an overall assessment of the control environment reviewed. The full list of audit opinions used is shown below:

<b>Opinion</b>	<b>Description</b>
<b>VERY GOOD</b>	Very well controlled with minimal risk identified; a few minor recommendations.
<b>GOOD</b>	Well controlled although some risk identified which needs addressing.
<b>REASONABLE</b>	Adequately controlled although some risks identified which may compromise the overall control environment.
<b>UNSATISFACTORY</b>	Not very well controlled; unacceptable levels of risk identified; changes required urgently.
<b>UNSOUND</b>	Poorly controlled; major risk exists; fundamental improvements are required with immediate effect.

### Recommendation Ratings

Each recommendation contained within the Internal Audit report has a 2 part priority rating. The number refers to Internal Audit assessment attached to the relevant weakness identified, whilst the letter relates to the urgency with which we believe the recommendation should be implemented (see tables below).

<b>Rating</b>	<b>Assessment of the Weakness Identified</b>
1	Fundamental weakness.
2	Highly significant weakness.
3	Significant weakness.
4	Minor weakness.

<b>Rating</b>	<b>Proposed Timescale for Implementation</b>
A	Should be actioned immediately
B	Should be implemented as soon as possible but within 3 months.
C	Ongoing requirements or within 12 months.

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<b>SUBJECT:</b>	<b>WHOLE AUTHORITY CUSTOMER FEEDBACK AND FREEDOM OF INFORMATION ACT</b>
<b>MEETING:</b>	<b>Audit Committee</b>
<b>DATE:</b>	<b>22 October 2015</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>All Wards</b>

## 1. PURPOSE:

To provide Audit committee with information on the number and types of complaints, comments and compliments received and dealt with from 1 April 2014 until 31 March 2015.

The report also summarises the number of Freedom of Information Act (FOI) requests received by the Council during this period.

## 2. RECOMMENDATIONS:

To note the contents of the report.

## 3. KEY ISSUES:

- 3.1 Our Whole Authority Complaints and Compliments policy and procedure follows the Model that the Public Services Ombudsman for Wales asked each local authority to adopt in 2011.
- 3.2 The procedure has two stages; the informal stage and the formal stage.

The informal stage aims to resolve the complaint locally wherever possible by means of discussion and problem solving. If it is not possible to resolve the concern, the matter is escalated to the formal investigation stage.
- 3.3 Where initial discussions have not achieved a resolution, complainants have the right to make a formal complaint. Investigations are undertaken and the complainant receives a full response detailing findings, conclusions and any recommendations made. This is the end of the internal process.
- 3.4 Complainants can contact the Public Services Ombudsman if they still remain dissatisfied.

The Ombudsman provides an external independent service to consider complaints about all local authority services. The Ombudsman is concerned with maladministration causing

injustice and will normally require complainants to have used their local council's procedures before accepting a complaint for investigation.

**4. REASONS:**

To ensure that Members are aware of the types of complaints, comments and compliments received and dealt with. Also, to note the FOI statistics and the continuing growth in FOI requests.

**5. RESOURCE IMPLICATIONS:**

Officer time in carrying out formal investigations.

**6. SUSTAINABLE DEVELOPMENT AND EQUALITY IMPLICATIONS:**

No implications have been identified in respect of this proposal.

**7. CONSULTEES:**

Senior Leadership team

**8. AUTHOR:**

Annette Evans, Customer Relations Manager

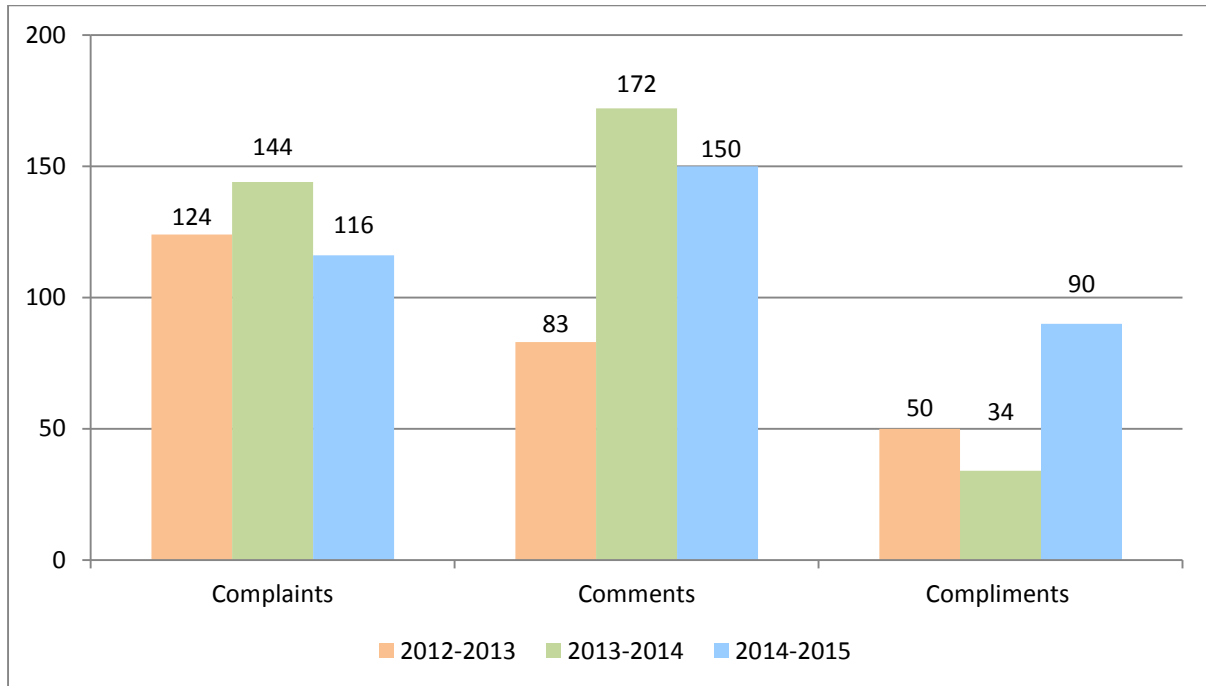
Tel: 01633 644647

Email: [annetteevans@monmouthshire.gov.uk](mailto:annetteevans@monmouthshire.gov.uk)



**Whole Authority Customer Feedback and FOIA Statistics**

**April 2014 – March 2015**



**Complaints**

- 116 Complaints

**Stage 1 - Informal Resolution**

- 100 Complaints

**Stage 2 – Formal Investigation**

- 25 Complaints started
  - 4 complaints escalated from Stage 1 (2013-2014)
  - 1 complaint proceeded straight to stage 2 (2013-2014)
  - 4 escalated to stage 2
  - 16 proceeded straight to Stage 2

**Public Services Ombudsman for Wales**

Of the 25 formal complaints, 6 complainants went directly to the PSOW. He referred them to us for subsequent investigation.

4 complainants progressed their complaints to the PSOW after formal investigation (they are not related to the ones mentioned above). After initial enquiries the PSOW decided not to carry out any further investigation.

Most common aspects of services complained about:

- Highways
- Environment and contact
- Passenger transport

Note: Social Services complaints are dealt with separately under the Social Services complaints procedure. **43** complaints were received, **82** comments and **116** compliments were made about the service.

Received

	Total	Access to Service	Communication Issue	Data Protection	Decision Delay	Discrimination	Member Conduct	Quality of Service	Quality of Works	Reduction in Service	Result of Process	Service Delayed	Service not provided	Service Removed	Staff Conduct	Timescales
<b>Children &amp; Young People</b>	<b>4</b>							<b>1</b>			<b>1</b>			<b>1</b>	<b>1</b>	
Support Services																
Access unit	<b>1</b>							1								
Finance service																
Adult Education service																
Pupil Referral and Inclusion service																
Additional Learning Needs and Special Learning Needs service	<b>2</b>										1				1	
Early Years Education service	<b>1</b>													1		
Monmouthshire Youth Service																
Flying Start service																
Acorn Integrated Children's service																
21st Century Schools Team																
Children & Young People not allocated Specific Team																
<b>Enterprise</b>	<b>17</b>		<b>2</b>					<b>9</b>			<b>1</b>				<b>5</b>	
Development Plans																
Housing	<b>3</b>							2							1	
Estates & Sustainability	<b>1</b>							1								
Libraries	<b>1</b>		1													
Museums																
Countryside	<b>2</b>							2								
Leisure	<b>8</b>		1					4			1				2	

Enterprise															
Employee Services															
Enterprise not allocated specific team	2													2	
<b>Chief Executive</b>	<b>95</b>	<b>2</b>	<b>10</b>	<b>1</b>		<b>1</b>	<b>57</b>	<b>4</b>		<b>6</b>		<b>6</b>		<b>8</b>	
Partnerships, Policy and Performance and Communication & Engagement															
Local Democracy	1					1									
Customer Relations															
Emergency Planning															
Legal Services	2						2								
Public Protection	4						1	1		2					
Development Control	11			1			8			1				1	
Building Control	1						1								
Democracy and Regulatory not allocated specific team															
Business Support and corporate accountancy															
Internal Audit															
Revenues, systems and exchequer	6		2				3					1			
Finance not allocated specific team															
Property Services	2	1					1								
Environment & Contact	18		1				13			1		2		1	
Highways	22		2				14	2		1		1		2	
Transport	1													1	
Passenger Transport	21	1	3				14					1		2	
Operations not allocated specific team	6		2					1		1		1		1	
<b>External</b>															
<b>Total</b>	<b>116</b>	<b>2</b>	<b>12</b>	<b>1</b>		<b>1</b>	<b>67</b>	<b>4</b>		<b>8</b>		<b>6</b>	<b>1</b>	<b>14</b>	

## Comments

- 150 Comments

<b>Total</b>	<b>150</b>
<b>Chief Executive</b>	<b>108</b>
Development Control	6
Environment & Contact	55
Highways	26
Local Democracy	2
Passenger Transport	7
Public Protection	7
Revenue, Systems & Exchequer	5
<b>Enterprise</b>	<b>41</b>
Countryside	1
Estates & Sustainability	2
Housing	1
Leisure	21
Libraries	4
Enterprise not allocated specific team	12
<b>External</b>	<b>1</b>

### A selection of comments received concerned:

- Loud music at an event held at Caldicot Castle
- Unhappy with deterioration of building
- Having no policy with regard to new fast food outlets being opened up in close proximity to schools.
- Sale of council owned land and planning application
- Concerns over the payments of council tax arrears and the way they are being handled
- Dog waste bags are no longer available
- A suggestion that provision possibly be made at the new Usk HQ to allow residents in the central area of the county to have access to basic one stop shop facilities.
- Website difficult to navigate; looking for opening times of the recycling centres in Monmouth and Chepstow and request replacement bags
- Waste not collected
- Online procedure did not work for permits for garden waste bags
- No collection points in Gilwern for the recycling bags
- Disappointed with the quality of bags
- Grass cuttings left on the grass/disgusted with the manner in which grass cutting was undertaken
- Suggestion to dig up all the paved roundabouts (Abergavenny) and plant the wildflowers
- Concerns over the driving of a recycling lorry

- Price increase this year for garden waste.
- Council number appears 'withheld' on the telephone.
- Condition of football stand
- An overdue letter was received for an audiobook that was returned.
- Feels there is a bad environment at the library caused by teenagers using it
- Issues with wifi at the library
- Asked to reconsider the recent price increase for the squash courts.  
Suggestion that they introduce peak and off peak charges for squash courts or introduce a membership package.
- Issues around Monmouth swimming pool being demolished; the new pool should be open before the old one is closed, potential loss of the pool
- Swimming charges for OAPs in the school holidays
- Comments made by an instructor
- Increase of price of sports facilities in Abergavenny Leisure Centre
- Website has everything but postal addresses
- New version of the website has either eaten or hidden the link to library services. Wishes to download e-books and it just is not possible with this site.
- Comment received via email to put the link for postal code details on the same page as the calendar regarding grey waste collection.
- Garden waste payment page is not easy to find on the website, neither is it easy to reply to a comment left on the garden waste page.

## Compliments

- 90 Compliments

<b>Total</b>	<b>90</b>
<b>Chief Executive</b>	<b>68</b>
Customer Relations	2
Development Control	4
Emergency Planning	1
Environment and Contact	23
Highways	34
Infrastructure & Projects	1
Passenger Transport	1
Revenues, Systems and Exchequer	2
<b>Enterprise</b>	<b>6</b>
General	1
Housing	3
Libraries	1
Enterprise not allocated specific team	1
<b>Children &amp; Young People</b>	<b>15</b>
Access Unit	3



Additional Learning Needs and Special Learning Needs service	3
Early Years Education service	5
Finance	3
Support Services	1
<b>Covers all of MCC</b>	<b>1</b>

### **A selection of compliments received:**

A range of compliments about the whole of the Council was received – staff thanked for their professionalism, their quick responses, their efficiency and helpful service.

Some examples:

- FOI response clearly presented in an open, friendly manner.
- Emergency Planning exercise Crash-a-tanker - thoroughly enjoyed it and picked up loads of really useful things.
- Thanks in relation to a decision notice. 'I wish all local authorities were as quick and as professional as yours. Please pass on my thanks to all concerned.'
- Impressed with the diligent and carefully balanced way the matter was handled.
- Inspector's visit was most professional and very friendly.
- Rang the Chepstow One Stop Shop; the call automatically transferred to the Monmouth OSS who took the details of the problem and suggested that the person called into the OSS in Chepstow. By the time the person walked down to the Chepstow OSS (10 minutes at the most), they had received a call from Monmouth, sorted a solution and so when the person walked in he didn't have to do any explaining, just picked up the solution. Feel this was customer service of the highest order – really excellent and impressive.
- Lots of compliments about the fabulous wild flower displays on roundabouts and grass area. Also for the beautiful meadow planting of a number of grass verges and roundabout areas and how wonderful for our wildlife.
- Thanks for quick receipt of new grey caddy's / bags. Impressed with the efficiency of the service.
- Very good attention whilst visiting Monmouth's One Stop Shop. Always greeted with courtesy and friendliness if ever need their assistance.
- Thanks for the repairs (newly-repaired road and resurfaced sections) carried out.
- Thanks for the support received, have a place to call home after a long and turbulent life on the streets - loves the new accommodation.
- Thanks to the team for the concert at Caldicot Castle in November, it was great.
- Compliments about the SEN / ALN service expressing appreciation and thanks for all the ALN team had done to ensure appropriate placements.
- Thanks for the superb work recently undertaken in Mardy.
- Delighted at the result of work, making the Square not only safer but much more attractive for residents and visitors alike.

- Holes in the road have been filled in - would like to thank all the highways department. It was getting impossible and now much improved.
- Thanks to all staff who worked on the operational stages of the NATO summit to ensure that there were no transport related issues which contributed to the success of the event.
- Thanks for getting the street light and tree sorted. The men have just finished trimming the tree from around the bus shelter and it looks a lot better - everyone who uses it will be grateful for their help.
- Very helpful after alert to MCC about a road hazard caused by a roadside grit bin and its contents dumped in the road by hedge/bank cutting. They were impressed when within 48 hours the hazard had been cleared up and a replacement bin installed.
- Thanks for getting Leasebrook Lane swept
- Thanks for repairing the drainage problems outside the rectory. Life is so much safer now for the inhabitants of and visitors to the rectory, we are very grateful.
- Thanks for arranging for the gritting lorry to service the top road in Coed-y-Paen. Now they have the comfort and security of knowing they can travel more safely in future winters.
- The bus turned up exactly as promised and the driver was another excellent ambassador for MCC and the Passenger Transport Unit
- Thanks received for being able to access the Countryside's interactive map and reporting a fault on a footpath. Felt it is well designed and very easy to use.

## Response Timescales

Our policy for responding to complaints at stage 1 is 10 working days and for stage 2 formal investigation is 20 working days plus a further 10 working days for Heads of Service to respond.

Whole Authority Timescales	2013/14		2014/2015	
	Stage 1	Stage 2	Stage 1	Stage 2
Up to 10 working days	98	2	68	1
11 – 25 working days	18	3	23	7
25+ working days	18	11	9	17
<b>Total</b>	<b>134</b>	<b>16</b>	<b>100</b>	<b>25</b>

## Requests for service

These are recorded and acted upon.

<b>Total</b>	<b>25</b>
<b>Chief Executive</b>	<b>23</b>
Environment and Contact	13
Local Democracy	1
Highways	6

Public protection	2
Revenue and Benefits	1
<b>Enterprise</b>	<b>1</b>
Estates & Sustainability	1
<b>External</b>	<b>1</b>

### Analysis of Complaints / Comments

Year	Stage 1 complaints	Stage 2 complaints	Comments	Compliments
<b>2014-15</b>	<b>100</b>	<b>25</b>	<b>150</b>	<b>90</b>
<b>2013-14</b>	134	16	172	34
<b>2012-13</b>	106	18	83	50
<b>2011-12</b>	82	25	45	37
<b>2010-11</b>	72	12	11	21

### Service improvements

Complaints are generally resolved on an individual basis. Most formal investigation reports make recommendations for improvements to processes. These are followed up to ensure the recommendations are addressed.

Here are some examples where recommendations have been made for changes to practices / processes / procedures, as a result of people making complaints.

### Communications Issues

- Apologies given where appropriate

### Appeals Panels

- Develop literature for parents to explain the process and timeline for transition planning. Parents of children with Special Educational Needs should be consulted about the literature.
- Applications for concessionary travel arrangements for children and young people with learning disabilities to be amended.
- Application forms for school transport to be viewed earlier in order to give replies to parents in a more timely manner.
- That the appeals panel has some understanding of the limitations of the young person under scrutiny when making decisions.
- The standard letter which accompanies proposed statements is amended to clarify who within the Special Needs department should be contacted if a parent disagrees with the Statement.

## Highways:

- Undertake the planned resurfacing and improvements to the footways and drainage systems in St Johns Street and Glendower Street, Monmouth as early as possible in the 2015/16 resurfacing programme
- Address weaknesses highlighted in the Highway's Mayrise customer enquiry system
- Ensure that an official notice under the Highways Act 1980 is served on the owner of the land for any future works which require entry onto the land. This requirement should be entered into the Authority's Bridge Record.

Undertake repair of fence and reinstate hedge between the edge of the parapet wall and the stile. Remove the damaged material present in the stream.

- Wye Bridge - Underwater Inspections: The procurement of the underwater survey contract should be more formally programmed to ensure that the works are undertaken at the most appropriate time of year when river levels should be lower.

Contractors tasked with undertaking a formal inspection of a structure are to be instructed that any matters identified as presenting an immediate safety risk to the public are to be immediately referred to the Infrastructure and Projects Team for action.

The Infrastructure and Projects team to produce a schedule of defects recommended for attention within an inspection report (this can be a requirement of the contract). The purpose of the schedule is to provide a vehicle for the Infrastructure and Projects Team to be able to record that the recommendation has been considered and what action is to be taken in relation to that recommendation.

Officers receiving reports of defects to Authority assets are to advise the team responsible for the asset as soon as practically possible.

Appropriate officer to meet with Natural Resources Wales in order to agree a maintenance protocol. This will remove any ambiguity in respect of this task and allow action to be taken promptly.

- Licensing Section and Highways collaborate to set up a structured consultation process, including establishing one point of contact for Highways to avoid consultations being sent to different sections of the Highway Authority, and to ensure that Highways responses on licensing applications can be co-ordinated, recorded and more consistent.

- A database be considered within the relevant Highways Section to record the consultation and responses to improve the process. This can help to pick up all relevant areas for response, such as traffic orders, vehicle weight, dropped kerb and more general public safety issues.
- The Highways Development Team review how the Section 220 process could be improved and how bonds/security could be secured when developers / owners do not meet their legal obligations.
- The Highways Development Team consider producing a Guidance Note for purchasers of properties covering the Section 220 process and Section 38 procedure, as it seems that purchasers may not be getting proper advice from their Solicitors / Legal Advisers when purchasing properties.

### **Development Control**

- The Development Control team document all records of meetings including notes, on the Planning Portal and ensure that these are made available within a timely manner and no later than 7 days of receiving the documentation.
- That the Planning Committee Speaking protocol is amended to explicitly make reference to the treatment of anonymous objections.
- Where distances are provided by applicants some evidence of how this has been determined should be provided and if it is not then simple desktop checks should be undertaken by the case officer, particularly where distance and proximity form part of the Local Planning Authority (LPA's) deliberations.
- Records of all meetings and advice given be kept. This should now be evidenced by the pre planning advice service.
- A check on previous planning applications relating to a site should be made before progressing any new application.
- The Local Planning Authority should consider using their enforcement powers (breach of condition notice) in a more timely manner, as to ensure non-compliance issues are dealt with swiftly and not allowed to be drawn out. The LPA give more detailed consideration to the timescales specified in conjunction with the use of conditions particularly where there is likely to be several consultees involved and if there is a likely case for a statutory nuisance complaint and neighbourly dispute

- The LPA should make every effort to allocate a single point of contact for communications and correspondence with the customer and that this is made clear from the beginning. Any changes to the contact should be swiftly made and communicated to all parties involved for clarity purposes

### **Safety**

- The layout of stalls in the outer part of Abergavenny market is reviewed by the market managers.

### **Recycling & Waste**

- Apologies given for delays in non-collections and inconvenience caused

### **Commentary**

The number of complaints and comments dealt with under the whole authority complaints procedure have gone down this year; complaints decreased by 20% and 13% for comments. However, a quarter of complainants were either not satisfied with the response at stage 1 or felt that they wanted a formal investigation undertaken without trying to find an informal resolution to their problems. Complainants appear to be becoming more intolerant, demanding and sometimes belligerent.

On a positive note, compliments shot up as a result of people complimenting the beautiful wild flowers on the verges / roundabouts throughout the County.

We still receive a fair number of enquiries about issues across the Authority and hopefully earlier intervention and staff engaging directly with customers solves problems straight away, reducing the level of complaints received.

Enquires are contacts made by potential complainants asking about the service provided. Where appropriate we try to resolve the problem at an enquiry stage without taking the matter forward as a formal complaint.

However, more complaints have progressed to the formal investigation stage this year. They concerned overgrown hedges, damage to land, process regarding planning decisions / breaches of planning control notice / inconsistent planning decisions, street trading, transport – non bus service, concessionary travel arrangements, adoption of road, transition process for young people, charges for council tax, staff attitude, maintenance of Wye Bridge.

Annette Evans, Customer Relations Manager

July 2015

## Freedom of Information and Environmental Information Regulations

### Activity Report 1st April 2014 to 31st March 2015

	<b>2014-15</b>	<b>(2013-14)</b>	
Requests received:	1002	(918)	Increase over 2013-14 = 9%
Requests closed:	1023	(906)	
Requests closed on time:	95%	(93%)	

Requests under Fol and EIR are not segregated, and figures include both.

<b>Main focus of request</b>	<b>Received</b>	<b>% Closed in 20 Working Days</b>
Chief Executive	688	96%
Enterprise	145	95%
Social Care & Health	103	94%
Children & Young People	66	98%
<b>Total MCC</b>	<b>1002</b>	<b>95%</b>

Note: Division by Department is not precise due to the cross-functional nature of many requests.

#### **Most common sources (stated or interpreted)**

Commercial	41%
Press - National	19%
Local Resident	13%
Pressure Group	7%
Political researchers	6%
Press - Local	3%
All others	11%

### **Most common subjects (broad categorisation)**

Social Care	122
CT/NNDR	119
Processes	72
HR & Staffing	69
Highways	65
Planning	57
Procurement/Contracts	54
Educational matters	52
IT & Software	51
Intestate deaths & PH funerals	48
Public Health	39
Financial information	33
Housing	27
Trading Standards/Animal Health	27
Asset Management	21
Structures/Contacts	17
Licensing	14
Parking	14
Waste & Recycling	11
Members & Electoral matters	10
Compensation	10

### **Target for percentage closed in 20 Working Days**

A target of 90% has been retained.

### **Trends over time**

The number of requests received has grown every year since Fol came into force on 1st January 2005, and the trend continues. This is common to the public sector in



general and is not Monmouthshire-specific. We completed our 5,000<sup>th</sup> request in the course of 2014-15.

The number of requests received by Monmouthshire in each financial year is as follows:

2004-05 (3 months only)	31	
2005-06	135	
2006-07	118	(believed that some records are missing)
2007-08	172	
2008-09	305	
2009-10	421	
2010-11	609	
2011-12	662	
2012-13	780	
2013-14	918	
2014-15	1002	

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**SUBJECT:** Consultation on changes to the timetable for closing the accounts

**MEETING:** Audit Committee

**DATE:** 22 October 2015

**DIVISION/WARDS AFFECTED:** All Wards

**1. PURPOSE:**

To provide Audit committee with information on the Welsh Government consultation on the timescales for closing and auditing the authority's accounts

**2. RECOMMENDATIONS:**

To provide any comments to feed into a response to Welsh Government on the consultation documents in Appendix 1

**3. KEY ISSUES:**

- 3.1 The attached consultation document seeks views on the proposed options for bringing forward the timetable for preparing and publishing the accounts of local government bodies in Wales.
- 3.2 Currently local government in Wales is out of step with other public sector bodies in Wales and England already have plans in place to change their timetables.
- 3.3 Members are invited to comment on the consultation document attached at Appendix 1.

**4. REASONS:**

To ensure that Members have the opportunity to feed in their views on a currante WG consultation

**5. RESOURCE IMPLICATIONS:**

None, although shorter periods for accounts closure will have an impact on timing of workloads and the potential requirement for more concentrated resources in a shorter period of time.

**6. SUSTAINABLE DEVELOPMENT AND EQUALITY IMPLICATIONS:**

No implications have been identified

**7. CONSULTEES:**

Audit Committee

**8. AUTHOR:**

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Llywodraeth Cymru  
Welsh Government

Welsh Government

## **Invitation to Comment**

Proposed changes to the Accounts and Audit (Wales)  
Regulations 2014

Date of issue: **04 September 2015**

Responses by: **27 November 2015**

**Overview**

This paper seeks your views on proposed changes to the Accounts and Audit (Wales) regulations 2014 in order to bring forward the timetable for preparing and publishing the accounts of Local Government bodies in Wales.

**How to respond**

The closing date for responses is 27 November 2015. You can respond in any of the following ways:

**Email:**

[LGFPMail@wales.gsi.gov.uk](mailto:LGFPMail@wales.gsi.gov.uk)

**Post:**

Local Government Finance Policy Branch  
Welsh Government  
Cathays Park  
Cardiff  
CF10 3NQ

**Contact details**

For further information:

Email: [LGFPMail@wales.gsi.gov.uk](mailto:LGFPMail@wales.gsi.gov.uk):

Telephone: Amanda Whittle on 02920823619

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## **Accounts and Audit Wales Regulations 2014**

### **Background**

1. Section 39 of the Public Audit (Wales) Act 2004 provides that the Welsh Ministers may, by regulations, make provision with respect to the keeping of accounts and statements of accounts of Local Government bodies.
2. The Accounts and Audit (Wales) Regulations 2014 have been made under sections 39 and 58 of the Public Audit (Wales) Act 2004 and provide the regulatory regime underpinning Local Government bodies' financial reporting and accounting; and in particular, they make provision with regard to the preparation and publication of statements of accounts.
3. The Regulations make a distinction between "larger relevant bodies" and "smaller relevant bodies". A larger relevant body means a county or county borough council, a fire and rescue authority, a national park authority, a police and crime commissioner, a chief constable or one of the following bodies if their gross income or gross expenditure exceeds £2,500,000: a community council, a committee of a county or county borough council, a port health authority, an internal drainage board or a conservation board.

### **What does the invitation to comment cover?**

4. This invitation to comment seeks views on proposed options for bringing forward the timetable for preparing and publishing the accounts of local government bodies in Wales. The changes will apply to larger relevant bodies only but there would need to be careful consideration for committees of county or county borough councils.

### **Current position**

5. Regulation 10 of the current Regulations sets out the process for the production of statements of accounts. The responsible financial officer of a larger relevant body (i.e. a county or county borough council, a fire and rescue authority, a national park authority, a police and crime commissioner or a chief constable) is required to certify that the statement gives a true and fair view no later than 30 June, and the statement must be published no later than 30 September.



6. The expectation is that the audit will conclude before 30 September and published statements contain the auditors' opinion and certificate. This is achieved in the majority of cases.
7. This timetable means that Local Government bodies publish their audited accounts later than most other parts of the public sector. NHS bodies in Wales are required to submit their audited accounts to the Welsh Government by early June. Most Government Departments are expected to lay their audited accounts before the summer recess (generally mid to late July). The Welsh Government audited consolidated accounts are normally laid in July.
8. The disparity between the timetables for Local Government and other parts of the public sector does warrant a reconsideration of the current dates but the complexity and length of Local Government accounts in comparison to other public bodies should be taken into account. A project being undertaken by the Chartered Institute of Public Finance and Accountancy, which supports initiatives to simplify and streamline the accounts and make them easier for local people to understand, may go some way towards addressing this in the longer term.
9. Local Government bodies are also a significant component of the UK-wide Whole of Government Accounts (WGA), and the current Local Government timetable is considered to be one of the barriers to bringing forward the publication date of those accounts.
10. The Accounts and Audit Regulations 2015 were laid before UK Parliament on 17 February 2015 and came into force on 1 April 2015. They apply to English Local Government bodies only and bring forward the dates for the preparation and publication of statements of accounts of Category 1 Authorities (the equivalent of Welsh larger relevant authorities) for the financial year beginning in 2017.
11. This will provide further disparity between the timetables for Local Government bodies in England and Wales.

## **Policy considerations and options**

12. There is no doubt that earlier publication would enhance authority's accountability to local residents, and assist their own financial management by providing earlier assurance on the previous year's financial outturn. However, the additional work involved needs to be considered in the context of the wider Local Government Reform Agenda.
13. Another relevant consideration is the impact on the Wales Audit Office (WAO) resources to meet demand during the earlier summer months when audits for central government bodies and NHS bodies are currently completed. A sufficient period of notice however should allow the WAO time to address this through its business planning process.
14. For certain Local Government bodies in Wales, the implications of the Local Government reform programme are a further consideration for the preparation and publication of accounts.
15. Therefore, whilst in principle it would be helpful to bring forward the timetable as soon as possible, for the purposes of accelerating the production of the Whole of Government Accounts and improving Local Government accountability, in practicable terms it may not be the appropriate time for all Local Government bodies in Wales.

### **Option 1 - Implement earlier timetable from 2018-19**

16. This will provide Local Government bodies in Wales with the same period of notification given to English Local Government bodies of a change in the timetable. It is acknowledged that such changes will involve substantial effort initially in developing systems to facilitate earlier closure but giving three to four years' notice of the change provides bodies and auditors with a reasonable timescale to adjust.
17. However, this timescale would be during a period of considerable change in Local Authorities. Mergers will inevitably result in substantial rationalisation of finance departments and it could be argued that to require changes to the systems and processes of all existing authorities ahead of mergers would not be a good use of their limited resources.
18. That said Local Authority mergers will not significantly impact on the financial arrangements of fire and rescue authorities, police and crime commissioners,

chief constables and national park authorities. Therefore implementing the changes within this timescale could be a feasible option for these Local Government bodies.

**Option 2 - Implement earlier timetable on a phased approach with the aim of bringing forward the new timetable fully for the newly merged authorities**

19. Over the next five years, Local Authorities in Wales will be focussed on implementing the reform agenda and therefore now would not be an appropriate time to bring forward the timetable. As set out above changes to systems and processes in all of the existing Authorities may not be good use of their limited resources.
20. Although it is accepted that it may not be an appropriate time to bring forward the timetable for the preparation of the accounts until the newly merged authorities have been formed, the publication and audit could be brought forward one month to 31 August during this transition period.
21. Based on the period of notification Local Authorities would expect for such a change, this option would bring forward the date of publication to 31 August as from the financial year beginning in 2018 for the 22 existing county and county borough councils.
22. Although this option would also result in disparity between the timetables of English Local Authorities and other Local Government bodies in Wales, it will be by only a month for both the preparation and publication timescales.
23. The intention is that all county and county borough councils in Wales would meet the preparation and publication deadlines of 31 May and 31 July respectively for statements of accounts relating to the 2020-21 financial year, the first full year of newly merged authorities.

**Smaller Relevant Bodies**

24. There are no immediate plans to bring forward the dates for smaller relevant bodies in Wales. These include community and town councils, port health authorities, internal drainage boards and conservation boards.
25. However for committees of county or county borough councils, although defined as smaller relevant bodies, they will be consolidated into the local authority's account they serve and therefore will need to meet the same timescales.

## Policy Proposals

26. The Welsh Government proposes to implement option 1 for earlier preparation and publication from 30 June and 30 September to 31 May and 31 July respectively as from the accounts of 2018-19 for the following local government bodies in Wales;
- Fire & Rescue Authorities
  - Police & crime commissioners
  - Chief constables
  - National Park Authorities
27. The Welsh Government proposes to implement option 2 for earlier timetable for the existing 22 county and county borough councils from 30 September to 31 August for **the publication** of the statement of accounts of 2018-19 and 2019-20.
28. The Welsh Government proposes for the statement of accounts relating to the newly merged authorities in 2020-21, the preparation and publication deadlines would be brought forward to 31 May and 31 July.
29. No change is proposed in the timetable for smaller relevant bodies other than committees of a county or county borough council which will be required to meet the same timetable as the consolidating body.

## Summary

30. The options proposed would have a substantial impact on the use of resource by the Wales Audit Office as, from 2018-19, the timescales for completing audits would be reduced from three to two months. For that year, the audits for the Police and Crime Commissioners, Chief Constables, Fire and Rescue Authorities and National Park Authorities will take place within the same period as the Central Government (e.g. WSGBs) and NHS bodies in Wales, i.e. June and July with the 22 existing county and county borough councils being completed during July and August.
31. These options go some way towards meeting the demands of HM Treasury as only 22 Local Authorities out of all the public bodies included in the Whole of Government Accounts would not be audited in time for submission by 31 July but would be available one month later. In any event, some of these authorities may choose to close their accounts by the earlier deadline.

32. The following table summarises the proposal for Local Government bodies in Wales for each financial year until 2021.

***Proposed Timetable***

	<b>Accounts</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
<b>22 county and county borough councils &amp; their committees</b>	Prepare	30 June	30 June	30 June	30 June	30 June	31 May
	Publish	30 Sept	30 Sept	30 Sept	31 Aug	31 Aug	31 July
<b>Fire &amp; Rescue PCC Chief Constable National Park</b>	Prepare	30 June	30 June	30 June	31 May	31 May	31 May
	Publish	30 Sept	30 Sept	30 Sept	31 July	31 July	31 July
<b>Smaller Relevant Bodies</b>	Prepare	30 June	30 June	30 June	30 June	30 June	30 June
	Publish	30 Sept	30 Sept	30 Sept	30 Sept	30 Sept	30 Sept

**Question 1:**

**Do you have any comments on the proposed approach to accelerating the local government accounts timetable detailed as set out in paragraph 32?**





Prif Weithredwyr a Chyfarwyddwyr Cyllid, Awdurdodau Lleol yng Nghymru  
Prif Weithredwyr a Phrif Swyddogion Cyllid Comisiynwyr Heddlu a Throseddu yng Nghymru  
Prif Gwnstablaid a Phrif Swyddogion Cyllid Heddluoedd yng Nghymru  
Prif Swyddogion Tân a Phrif Swyddogion Cyllid Awdurdodau Tan ac Achub yng Nghymru  
Prif Weithredwyr a Phrif Swyddogion Cyllid Awdurdodau Parciau Cenedlaethol

Copïau i:  
*CIPFA (Cymru), CLILC, Swyddfa Archwilio Cymru, Un Llais Cymru*

04 Medi 2015

Annwyl Gydweithwyr,

### **Gwahoddiad i gyflwyno sylwadau ar y newidiadau arfaethedig i Reoliadau Cyfrifon ac Archwilio (Cymru) 2014**

Mae'r gwahoddiad hwn i gyflwyno sylwadau yn gofyn am safbwyntiau ar yr opsiynau a gynigir ar gyfer cyflwyno'r i gyflymu'r amserlen ar gyfer paratoi a chyhoeddi cyfrifon cyrff llywodraeth leol yng Nghymru.

Bydd y newidiadau yn gymwys i gyrff perthnasol mwy yn unig ond byddai angen rhoi ystyriaeth ofalus i bwyllgorau cynghorau sir neu gynghorau bwrdeistref sirol.

Fe'ch gwahoddir i gyflwyno sylwadau ar unrhyw agwedd ar y newidiadau arfaethedig. Byddwch cystal ag anfon unrhyw sylwadau sydd gennych erbyn **27 Tachwedd 2015 fan bellaf** i:

Is-adran Polisi Cyllid Llywodraeth Leol  
Llywodraeth Cymru, Parc Cathays, Caerdydd, CF10 3NQ  
Neu e-bostiwch: [LGFPMail@wales.gsi.gov.uk](mailto:LGFPMail@wales.gsi.gov.uk)

Mae hyn yn rhan o gyfres gyson o ddiweddariadau i'r Rheoliadau Cyfrifon ac Archwilio, sydd wedi'u dylunio i sicrhau eu bod yn cydymffurfio â datblygiadau ym maes llywodraethu ariannol, cyfrifyddu ac archwilio.

**Debra Carter**  
Is-adran Polisi Cyllid Llywodraeth Leol





Chief Executives & Directors of Finance, Local Authorities in Wales  
Chief Executives & Chief Finance Officers of Police and Crime  
Commissioners in Wales  
Chief Constables & Chief Finance Officers of Police Forces in Wales  
Chief Fire Officers & Chief Finance Officers of Fire & Rescue Authorities  
in Wales  
Chief Executives & Chief Finance Officers of National Park Authorities

Copies:

CIPFA (Wales), WLGA, Wales Audit Office, One Voice Wales

04 September 2015

Dear Colleagues

### **Invitation to comment on the proposed changes to the Accounts and Audit (Wales) Regulations 2014**

This invitation to comment seeks views on proposed options for bringing forward the timetable for preparing and publishing the accounts of local government bodies in Wales.

The changes will apply to larger relevant bodies only but there would need to be careful consideration for committees of county or county borough councils.

You are invited to comment on any aspect of the proposed changes. Please send any comments you might have to arrive **no later than 27 November 2015** to:

Local Government Finance Policy Division  
Welsh Government, Cathays Park, Cardiff, CF10 3NQ  
Or email: [LGFPMail@wales.gsi.gov.uk](mailto:LGFPMail@wales.gsi.gov.uk)

This forms part of a regular series of updates to the Accounts and Audit Regulations designed to keep them in line with developments in financial governance, accounting and audit.

**Debra Carter**  
**Local Government Finance Policy Division**



<b>22ND OCTOBER 2015</b>	
<i>Deadline for finalised reports to Cheryl – Tuesday 13th October - 10am</i>	
<i>Finalised reports to Committee Section – Tuesday 13th October - end of day</i>	
SRS Report	Matt Lewis
Audited Trust fund accounts (Welsh Church Fund & Mon Farm)	Mark Howcroft
ISA260 Trust Fund Accounts - (for both the above)	WAO
Mid Year Treasury report 2015/16	Mark Howcroft
Internal Audit Progress report 2015/16 quarter 2	Andrew Wathan
Unsatisfactory Audit Opinions	Andrew Wathan
Annual Complaints report	Annette Evans
Proposed changes to Accounts and Audit Regs 2014	Joy Robson
<b>3RD DECEMBER 2015</b>	
<i>Deadline for finalised reports to Cheryl – Monday 23rd November - 10am</i>	
<i>Finalised reports to Committee Section – Monday 23rd November - end of day</i>	
Overview of Improvement Arrangements	IO's
Joint progress report 2014/15 accounts	WAO/Mark Howcroft
Treasury Policy	Mark/Joy
Progress report:WAO Proposals for Improvement	IO's
CPR Exemptions 6 monthly	Andrew Wathan
Implementation of audit recommendations	Andrew Wathan
Governance arrangements for partnerships	Will McLean
6 month performance review	Will McLean
6 month Risk Review	Will McLean
AIR/Corporate Assessment report	WAO

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