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County Hall
Rhadyr
Usk
NP15 1GA

Wednesday, 13 April 2016

Notice of meeting:

Audit Committee

Thursday, 21st April, 2016 at 2.00 pm,
The Council Chamber, County Hall, The Rhadyr, Usk, NP15 1GA

AGENDA

Item No	Item	Pages
1.	Apologies for Absence.	
2.	Declarations of Interest.	
3.	Public Open Forum.	
4.	To confirm the minutes of the previous meeting.	1 - 4
5.	Action list from the previous meeting.	5 - 6
6.	Annual Governance Statement 2015/16 - Draft.	7 - 30
7.	Internal Audit Section, Operational Plan 2016/17 - Draft.	31 - 42
8.	Internal Audit Section Progress report on Unsatisfactory / Unsound Audit Opinions.	43 - 52
9.	2016 Audit Plan.	53 - 70
10.	Early Departures & vacant posts.	71 - 86
11.	Response to Unsatisfactory Audit Opinion of Passenger Transport Unit from Audit Committee meeting on 22nd October 2015.	87 - 90
12.	Audit Committee Annual Report 2015/16, Annual report 2014/15.	91 - 102
13.	Work Programme.	103 - 108
14.	To consider whether to exclude the press and public during consideration of the following item of business.	109 - 110

15.

Issue raised by a member of public regarding Chepstow School.

111 - 116

**Paul Matthews,
Chief Executive**

MONMOUTHSHIRE COUNTY COUNCIL
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

County Councillors:

P White
J. Higginson
D. Batrouni
P. Clarke
G. Down
A. Easson
D. Edwards
P. Murphy
P. Jordan
B. Hayward
B. Strong
J. Prosser

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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.

Public Document Pack Agenda Item 4

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 3rd March, 2016 at 2.00 pm

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

County Councillors: D. Batrouni, G. Down, A. Easson, D. Edwards,
P. Jordan, B. Hayward, B. Strong, J. Prosser and V. Smith

OFFICERS IN ATTENDANCE:

Mark Howcroft	Head of Operations
Joy Robson	Head of Finance/Section 151 Officer
Andrew Wathan	Chief Internal Auditor
Kellie Beirne	Chief Officer, Enterprise
Julie Boothroyd	Head of Adult Services
Sally Thomas	People Management Lead
Anthony Ford	Wales Audit Office

APOLOGIES:

Councillors P. Clarke and P. Murphy

1. Declarations of Interest

There were no declarations of interest made by Members.

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.

4. Minutes of the previous meeting

The minutes of the Audit Committee meeting dated 14th January 2016 were confirmed and signed by the Chairman. In doing so, the Chairman had agreed to write to the Passenger Transport Manager with a view to him providing the Audit Committee with a more formal report, at the next meeting, regarding reference to an unsatisfactory audit opinion relating to areas within the service.

5. Action List from the previous meeting

We received the Action List from the meeting held on 14th January 2016. In doing so, the following points were noted:

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Monmouthshire response to issues raised by a member of the public on 16th July 2015

The Chief Officer, Enterprise will present a report to the next Audit Committee Meeting regarding details of an appropriate response to a member of the public.

Early Departures and Vacant Posts

The Chairman would write to the Head of Commercial and People Development regarding the issue in respect of early departures and vacant posts with a request that a report on this matter be submitted to the next Audit Committee meeting for consideration. Any questions regarding this matter could be submitted in advance to the Head of Finance or directly to the Head of Commercial and People Development.

Unsatisfactory Audit Opinions – Monmouthshire Enterprises

The Head of Adult Services provided the Committee with the following information:

- This was now known as 'My Day, My Life'.
- The development fund was established when it was known as Monmouthshire Enterprises. However, the way it had been established had become unsatisfactory and had therefore been reviewed and the accounts had been frozen. Following the review the balances had been ready to be re-distributed and was no longer deemed unsatisfactory. The recommendations had been addressed and was now in order. The action had been completed.
- The Chief Internal Auditor informed the Committee that this matter would be incorporated into the planning process and would check that the matter has been addressed and would provide feedback to the next Audit Committee meeting.

6. Wales Audit Office - Certification of Grants and Returns 2014-15

We received a report by the Wales Audit Office regarding the Certification of Grants and Returns 2014-15 in respect of Monmouthshire County Council.

Members were informed that the administration of grants by Monmouthshire County Council, as revealed by the audit, was improving and the County Council was addressing the actions that had been identified, which in turn was reducing the Council's risk assessment.

We resolved to receive the report and noted its content.

7. Treasury Management Policy Statement & Strategy Statement, MRP Policy Statement and Investment Strategy 2016/17

We received a report in which Members were provided with details of the proposed annual Treasury Management Policy Statement and the Treasury Management Strategy Statement including the Investment and Borrowing Strategies for 2016/17 to

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2019/20 and the Minimum Revenue Provision (MRP) Statement for 2016/17 for deliberation by the Committee in advance of Full Council consideration.

Having received the report, the following points were noted:

- In response to a Member's question regarding the potential effects regarding this matter if the United Kingdom were to leave the European Union, it was noted that there would likely be some volatility going forward and it might change the Authority's attitude to risk.
- Future interest rates for borrowing were likely to rise by 0.5% next year with a potential rise in the longer term of between 1% and 1.5%. We would receive a warning before interest rates were likely to rise.
- In response to a Member's question regarding investment in Skutrade, the officer reported this should be regarded as a specific item of expenditure funded by reserves rather than a Treasury Investment of Council's surplus cash balances. It is only an investment in so far that the premise for the expenditure was that it would be repaid in the future, but to avoid any confusion this would not fall within an application of Council's approved Treasury management policy.
- In response to a Member's question regarding the Authority investing in properties to gain rental income from them, it was noted that this matter would require a sound business case to identify if this would be self-funding. To date, no details have been received regarding this matter.
- The Authority's Treasury advisers were shortly due to retender for this work. Further details would be available at the next Audit Committee meeting.

We resolved that the proposed Treasury Management Policy Statement for 2016/17 and proposed Treasury Management Strategy and Investment and Borrowing Strategies 2016/17 to 2019/20, including the Minimum Revenue Provision (MRP) Statement for 2016/17, be presented to Full Council for consideration together with the Treasury Limits, as required by section 3 of the Local Government Act 2003.

8. Audit Committee Work Programme

We received the Audit Committee Work Programme. In doing so, it was noted by a Committee Member that the County Council had identified that some budget mandate targets might not have been achieved and that these issues should be presented to Audit Committee for scrutiny.

The Chairman suggested that Member submits a notice of motion, with supporting information, to the next Audit Committee regarding the budget mandates in question, in order to agree a way forward.

We resolved to receive the report and noted its content.

The meeting ended at 3.00pm.

MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of Audit Committee held
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 3rd March, 2016 at 2.00 pm**

Agenda Item 5

Audit Committee Actions 3rd March 2016

Agenda Item:	Subject	Officer	Outcome
Agenda Item 9 23/09/15	Early Departures and Vacant Posts	P. Davies	A breakdown of special payments by banding requested The Chairman to write to Peter Davies requesting a report to the next meeting regarding this matter.
Agenda Item 4 22/10/15	MCC response to issues raised by member of public on 16 th July - report	Kellie Beirne	Kellie Beirne to present a report to the next meeting regarding details of an appropriate response to a member of the public.
Agenda Item 11 22/10/15	Unsatisfactory Audit Opinions – Monmouthshire Enterprises	J. Boothroyd/ C. York	Action complete. However, Andrew Wathan will incorporate it into the planning process and will check that the matter has been addressed and feedback to the Committee.
Agenda item 4	Minutes of the Audit Committee – 14 th January 2016. Reference to an update from the Passenger Transport Unit Manager regarding an unsatisfactory audit opinion relating to areas within the service.	Mr. P. White	The Chairman to write to Richard Cope with a view to him providing the Committee with a more formal report in respect of this matter.
Agenda item 8	Audit Committee Work Programme – Budget Mandate targets / recovery plans.	Councillor D. Batrouni	Councillor Batrouni to submit a motion to the Audit Committee for this matter to be debated at the next meeting.

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**SUBJECT: MONMOUTHSHIRE CC
ANNUAL GOVERNANCE STATEMENT, 2015/16**

**DIRECTORATE: Chief Executive
MEETING: Audit Committee
DATE: 21st April 2016
DIVISION/WARDS AFFECTED: All**

1. PURPOSE

To receive an early draft of the Council's Annual Governance Statement (AGS) prior to inclusion into the Statement of Accounts 2015/16.

2. RECOMMENDATION(S)

That the Audit Committee contribute to the appropriateness and content of the draft AGS and subsequently endorse it.

3. KEY ISSUES

- 3.1 Corporate Governance is about doing the right thing at the right time for the right people in an open and transparent way. The AGS sets out how Monmouthshire demonstrates it has appropriate governance arrangements in place and how they are continually reviewed to strengthen them moving forward.
- 3.2 Monmouthshire County Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and to proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3.3 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
- 3.4 The Code of Corporate Governance, which is consistent with the principles of the C.I.P.F.A./S.O.L.A.C.E. Framework 'Delivering Good Governance in Local Government', was approved by Council in July 2011; the Code was revised and updated in May 2014. A copy of the Code is available from the Chief Internal Auditor. This annual governance statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014.

4 The Purpose of the Governance Framework

- 4.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and consider whether those objectives have led to the delivery of appropriate, cost effective services.

- 4.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 4.3 The governance framework has been in place at the Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.
- 4.4 The Statement itself [Appendix 1] demonstrates that Monmouthshire has governance arrangements in place to meet the challenges of the governance principles and that a review has been undertaken to assess the effectiveness of those arrangements. We have demonstrated that in most areas we have effective governance arrangements in place which are continually improving, but also recognise that there is further work to do. .

5 The Governance Framework

- 5.1 The Council's code of governance has been developed in line with the following principles:
- Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens;
 - Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation;
 - Developing the capacity and capability of members and officers to be effective; and
 - Engaging with local people and other stakeholders to ensure robust public accountability.

6 REASONS

- 6.1 In accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 an annual governance statement must be prepared and included within the Council's year end financial statements.

7 RESOURCE IMPLICATIONS

None.

8 CONSULTEES

Head of Finance

9 BACKGROUND PAPERS

MCC Code of Corporate Governance
CIPFA Delivering Good Governance

10 AUTHOR AND CONTACT DETAILS

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Monmouthshire CC

Annual Governance Statement 2015-16

Draft 04

5 April 2016

Andrew Wathan

Working Group

Richard Jones
Matthew Gatehouse
Will McLean
Rob Tranter
Tracey Harry
Sian Hayward
Deb Mountfield

Mike Trigg
Mark Howcroft

- 1 This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (C.I.P.F.A.) and the Society of Local Authority Chief Executives and Senior Managers (S.O.L.A.C.E.), the 'Delivering Good Governance in Local Government Framework'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.
- 2 The Statement itself demonstrates that Monmouthshire has governance arrangements in place to meet the challenges of the governance principles and that a review has been undertaken to assess the effectiveness of those arrangements. We have demonstrated that in most areas we have effective governance arrangements in place which are continually improving, but also recognise that there is further work to do. Progress against the 2014/15 action plan is shown at Appendix 1. The main areas of concern identified by the Council are shown at paragraph 84 and an action plan to address known gaps is shown at Appendix 2; progress against the main areas of concern in 2015/16 is shown at Appendix 3.

Scope of Responsibility

- 3 Monmouthshire County Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This has been updated in recent years through the Wales Programme for Improvement 2005 and even more recently through the Local Government (Wales) Measure 2009 to encompass responsibility for securing continuous improvement based on the needs of and in engagement with communities.
- 4 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
- 5 The Code of Corporate Governance, which is consistent with the principles of the C.I.P.F.A. / S.O.L.A.C.E. Framework 'Delivering Good Governance in Local Government', was approved by Council in July 2011; the Code was revised and updated in May 2014. A copy of the code is available from the Chief Internal Auditor. This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014.

The Purpose of the Governance Framework

- 6 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its population outcomes, priorities and objectives and to consider whether those objectives have met the outcomes and led to the delivery of appropriate, cost effective services.
- 7 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, outcomes and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 8 The governance framework has been in place at the Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

- 9 The Council's Code of Corporate Governance has been developed in line with the following principles:
- Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens;
 - Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation;
 - Developing the capacity and capability of members and officers to be effective; and
 - Engaging with local people and other stakeholders to ensure robust public accountability.
- 10 The Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 11 The key elements of the Council's governance arrangements are set out in The Improvement Plan; the latest version, Building Sustainable and Resilient Communities 2015-2017, was approved by Council in May 2015. Six monthly progress updates were presented to select committees during the year to enable scrutiny of progress and to allow Chief Officers and executive members to be held to account. The Council's four priorities are **education of young people, protecting the vulnerable, supporting business and job creation and maintaining locally accessible services**. The Council subscribes to a vision shared with other public service partners of working to deliver '*Sustainable resilient communities*'. This is the cornerstone of the County's Single Integrated Plan where three themes have been adopted: **Nobody is Left Behind; People are Confident, Capable and Involved; Our County Thrives**.

Review of Effectiveness

- 12 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Leadership Team within the Authority which has responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 13 The governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 14 The processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:
- i) The Monitoring Officer has reviewed the Council's Constitution and ethical governance arrangements during the year. Amendments and updates were approved by Council in September 2014.
 - ii) periodic reviews of the financial controls including the financial procedure rules by the Chief Finance Officer (Head of Finance); financial procedure rules were approved by Council in September 2014;
 - iii) formal risk management and regular ongoing review of the processes involved,
 - iv) internal and external review of the risk management processes, **audit committee**

- v) scrutiny – annual report & SIP
- vi) the Internal Audit function, whose work takes account of identified risks through regular audits of the major systems, establishments and major projects in accordance with the annual internal audit plan, and which includes ‘follow-up’ work to ensure that agreed recommendations are implemented,
- vii) the work of the Council’s Select and other Committees, including its Audit and Standards committees,
- viii) the opinions and recommendations of the Council’s external auditors, following both financial audit work and per the Local Government Measure in regard to matters, including governance issues, which are considered for action and implementation,
- ix) The opinions and recommendations of other inspection, regulation and review agencies **Council Cabinet Audit Committee Scrutiny**
- x) regular monitoring of performance against the Improvement Plan and service plans and of key targets, and reporting of this to senior management and members,
- xi) corporate self-evaluation was carried out in Autumn 2014 and the findings addressed through an action plan that is being monitored by Strategic Leadership Team – Cabinet report next on Autumn 2016
- xii) **Head of Service Challenge Process**
- xiii) Audit Committee review of effectiveness workshop
- xiv) Evaluating the effectiveness of Safeguarding in Monmouthshire was taken through cabinet in **updates**
- xv) **Appraisal and improvement to audit cttee**

New Members Code — May – constitution
Public services board

15 Did the governance framework in place enable Monmouthshire to deliver the right services to the right people at the right time, and in doing so, achieve our corporate objectives ?

Improvement Objective May 15	MCC Evaluation Score
1 We will improve at all key stages of education	
2. We will safeguard people, whether young or old, while reducing peoples dependence on social care	
3. We want to enable our county to thrive	
4.Maintaining locally accessible services	
5. We want to be an efficient, effective and sustainable organisation.	

16 The following paragraphs review the effectiveness of the governance arrangements in Monmouthshire under the 6 principles. A senior officer working group was set up to undertake the initial review; the outcome of that process fed into this statement which then went to the Senor leadership team (SLT) for review before being taken to Audit Committee for a further review.

- 17** The Single Integrated Plan sets out the vision of the Local Service Board – a partnership of the key public service providers in Monmouthshire which includes the Council – it has three key themes; nobody is left behind, people are confident, capable and involved; and our County thrives. It is developed by and agreed by all our partner organisations who are members of the Board. **Moving towards Public Service Board to be in place April 2016.**
- 18** The Council's strategic partners and wider stakeholders were fully engaged in the development of the Single Integrated Plan 2013-17 (SIP) incorporating key themes and outcomes to realise the **shared vision**. The organisation's Stage 1 Improvement Plan underpins the Council's contribution to the SIP by setting Annual Improvement Objectives for 2015/16. The Stage 1 Improvement Plan (Three-year Plan), was presented to Council in May 2015 and was reviewed, Stage 2, at six months through the year in December 2015 and January 2016 through the Council's four Select committees.
- 19** The Annual Improvement Plan Objectives for 2015/16 are supported by service plans to operationally deliver these objectives. Planned improvements and targets are aligned to the Annual Improvement Objectives. Service plans were developed in 2015/16 covering all service areas. These were quality assessed as part of the service planning process.
- 20** Reports were taken through the Scrutiny process during the year which linked service plans to the Council's policies, priorities and objectives. The agendas and minutes of which became public documents available through the Council's website.
- 21** Throughout 2015/16 the Council has been an early adopter of the Wellbeing of Future Generations Act and has received support from the WLGA as well as working with Wales Audit Office in preparing for the implementation of the Act in April 2016. Preparation has included increased awareness raising with Council members and officers, Wales Audit Office reviewing the Council's preparedness for the Act and identifying key next steps for delivery and transitioning the Local Service Board (LSB) in to a Public Service Board. Action plan – 16/16 Scrutiny set up for service board'
- 22** In addition, the Medium Term Financial Plan (MTFP) supports the vision for Monmouthshire and extensive **public engagement** continued in 2015/16 for the 2016/17 budget and Medium Term Financial Plan which engaged with the public in their own community; this included website, social media, drop in sessions and open meeting. The Chief Executive and Leader of the Council also held consultation roadshows across the whole County with staff. These were key to providing people with the opportunity to become informed, involved and participate. There was broad agreement with the key priorities set out for Monmouthshire. Following the engagement in 2014/15 maintaining locally accessible services was added as fourth priority of the Council in the March 2015 partnership administration's Continuance Agreement.
- 23** The use of social media continued to thrive during 2015/16 through Twitter, Facebook and You Tube to raise awareness of forthcoming events, to provide live streaming of Cabinet, Council and other political meetings, to promote the activities and services provided and to show support and encouragement for community groups. The effectiveness of social media is measured via reach and engagement, while the Klout' score for Monmouthshire was **to be updated**. **Digitisation**
- Updates on Facebook hits**
Monmouthshire Engages -
- 24** The provision of **high quality of services** has been measured by the Welsh Government survey 'Living in Wales'. This stated that in **15/16 56%** of Monmouthshire residents agree the local authority provides high quality services (Wales average 53%). In 14/15 56% agreed.
- 25** Dealing with customer complaints helps Monmouthshire to identify and deal with failures in service delivery. The Council's complaint / compliment procedure is available on the web site. **Out of NN complaints received in 2015/16, XX were resolved informally [PP%];** this compared with 100 out of 116 complaints resolved informally in 2014/15. **4 complaints were referred to the Ombudsman who decided not to investigate. 91% of Stage 1 complaints received were dealt with within 25 working days of receipt. Within Social Services, 43 complaints were received in 2014/15, 93% were dealt with informally.**
- 26** To ensure the **best use is made of resources** and that taxpayers and service users receive excellent value for money, there are a number of mechanisms within the Council to support this. The option appraisals for the 21st Century Schools considered cost and quality to determine the best outcome for

the service; budget mandates were in place to monitor and capture the savings assessments; the IT Board reviewed business cases for future IT investment;

- 27 Regular budget / outturn reports for revenue and capital were presented to and approved by Cabinet during the year, and the budget management actions of Cabinet and senior officers are scrutinized by the 4 Select committees quarterly. The budget monitoring reporting cycle periodically contains some output measures and unit cost data, so that economic comparison of costs with other Councils can be made. Previously the Council has compared very favourably to others. This exercise is next due during 2016-17. The updated MTFP was reviewed and approved by Cabinet over the course of the budget setting period (Sept 2014 to Jan 2015) in response to feedback from engagement and scrutiny sessions and the budget was set in January 2015 by Council for 2015/16.
- 28 An authority-wide performance measurement system for the Council, the “data hub” hosted on the council’s intranet site continues to be use and further developed This is available within 3 clicks of the homepage that opens up on all laptops and enables members and officers to track and monitor key data at any point in time from key strategic plans to directorate level “dashboards”. This also allows performance to be compared against other council areas, where applicable. A Cabinet level dashboard contains a number of key performance measures and is discussed quarterly by SLT and Cabinet.
- 29 Based on 2014/15 National Performance indicator data the council has seen service performance improve, or remain at the maximum level, in 84% of comparable National Performance indicators and declined for 14% of them. When comparing against other local authorities Monmouthshire was ranked in the top quartile for 44% of the published indicators and the bottom quartile for 16% of indicators. 63% of indicators met the targets that had been set, while 23% missed their targets.
- 30 Contract Procedure Rules exemptions are reported to the Audit Committee 6 monthly; managers have been challenged in year to justify their procurement outside the Council agreed procedures. Several managers were called in to Audit Committee to give an account of why accepted procedures were not followed.
- 31 The Council utilises ‘Buy For Wales’ contracts and the Joint Procurement Unit to ensure value for money is obtained in procuring the many goods and services required to run the Council. A nationwide analysis found that MCC had the highest proportion of spend with SMEs of any local authority in the UK (Source:<http://www.spendsmall.org/>)
- 32 Transparency and Openness is important to Monmouthshire; the Annual Statement of Accounts was taken through the Audit Committee process before being endorsed by Council. All Council decisions, reports and questions asked by Members are available on the website. Financial information, Improvement Plan progress, Council activities, achievements, developments, updates and events were included on the Council’s intranet and website. **Add you tube and live streaming**
- 33 The Equality Impact Assessment and Sustainable Development checklist have been revised and combined to align with the Future Generations Act. The “Future Generations Evaluation “ ensures the decisions the council makes are carefully considered to take equality and sustainable development into account, this includes legislation that Monmouthshire County Council is subject to the Equality Act 2010, Future Generations Act and Welsh Language (Wales) Measure 2011. A range of these were undertaken during 2015/16 which have been published on the website accompanying decision making reports.
- 34 The Local Service Board review includes the monitoring of targets to ensure policies are delivering the agreed outcomes.

Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens

- 35 The Constitution is updated periodically by the Monitoring Officer; it was reviewed and updated between January 2014 and June 2014, and was approved by Council in September 2014. It can be found on the Council’s website and sets out:

- how the Council operates and makes decisions,
- the procedures to ensure that decision-making is transparent and accountable to local people and other stakeholders,

- the key roles of all members and chief officers, including the lead responsibilities for corporate governance of the Leader, the Chief Executive and other designated chief officers,
 - a scheme of delegated powers for decision-taking
 - responsibilities for reviewing and agreeing the Council's corporate governance arrangements,
 - arrangements for ensuring it is regularly reviewed and updated
 - its related codes and protocols.
- 36** Policy and decision-making is facilitated through (i) the Cabinet, the meetings of which are open to the public except where exempt or confidential matters are being discussed, and (ii) a scheme of delegation to committees and officers as set out in the Constitution: Four select committees and a separate audit committee review, scrutinise and hold to account the performance of the Cabinet, decision-making committees and officers. A Scrutiny "Call-In" process for decisions which have been made but not yet implemented is incorporated in the Constitution in order to consider their appropriateness.
- 37** Appropriate and relevant job descriptions were in place for the Chief Executive, Senior Leadership Team (SLT), Monitoring Officer and Head of Finance. The minutes of the SLT were also maintained during the year.
- 38** To ensure agreed procedures and all applicable statutes are complied with the Monitoring Officer attends all Council meetings; to ensure sound financial management is a key factor in decisions, the Head of Finance attends Cabinet and Council meetings.
- 39** There is Council policy on information sharing along with numerous information sharing protocols with our partners; this is included within the Data Protection Policy. Information sharing is key to joined-up service delivery. The Wales Accord on the Sharing of Personal Information (WASPI) was developed as a practical approach to multi agency sharing for the public sector in Wales, and Monmouthshire signed up to this in January 2011. The Authority is required to meet statutory obligations regarding the handling and sharing of data, in accordance with the Data Protection Act 1998. The Information Sharing protocol has been developed to ensure information is only shared appropriately, safely and compliantly.

Partnerships/collaboration working

- 40** The Council ensures that it has appropriate governance arrangements around its collaborations with other public agencies and other third parties. These can take a range of forms, from informal arrangements to those where governance arrangements are determined through legislation. The governance arrangements form a key part of the decision making processes that the Cabinet or Council follow when deciding to enter a collaborative arrangement, transparent local accountability is a key area of focus.
- 41** An exercise was undertaken by the Policy and Partnership Team in 2013/14 to determine the full extent of the Council's collaboration and partnership arrangements and their respective governance arrangements. A Partnership Audit was undertaken and reported into the Audit Committee in May 2014; 100 partnership / collaboration arrangements were identified. Although the governance arrangements for the majority of partnerships identified have been captured, further work is on-going to clarify the governance arrangements for all of the partnerships; this will be reported to Members in due course. Governance arrangements have been put in place around all key partnerships the Council is involved with. **update**

Corporate assessment and Estyn (Deb) – proposals for improvement -

Principle 3: Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

- 42** The Code of Conduct and member / employee relationship document are set out in the constitution. The Members Code of Practice – New version will be adopted by Council in May 2016.
- 43** There were no successful "call-in" challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.

- 44 There were 3 complaints of Member misconduct made to the Ombudsman in 2015/16 involving County Councillors; none were referred to the Standards Committee.
- 45 All waivers of the Contract Procedure Rules are reported through Audit Committee quarterly. The Internal Audit team continues to deliver awareness raising sessions on the importance of compliance with these Contract Procedure Rules and Financial Procedure Rules.
- 46 The Audit Committee called in several senior managers during the year and challenged them on why a procurement process went outside the Council's normal tendering processes.
- 47 **NN** Internal Audit opinions were issued in 2015/16. **X** were deemed to be unsatisfactory.
- 48 The overall opinion on the adequacy of the internal control environment for 2015/16 was **REASONABLE**. Management agreed to implement the recommendations made in audit reports in order to address the weaknesses identified. The internal audit opinions issued in 2015/16 were as follows and more detail can be found in the Annual Internal Outturn Report for 2015/16, as reported to Audit Committee:

	2013-14	2014-15	2015-16
Very Good	0	1	
Good	8	9	
Reasonable	7	12	
Unsatisfactory	0	6	
Unsound	0	0	
Total	15	28	

- 49 Although the Internal Audit team started the year with a full complement of staff, two of the team left during the year which reduced the resources available to undertake the planned work. 74% of the 2015/16 plan was achieved, which was an improvement on the previous year. Also the number of audits issued with an opinion increase so the Chief Internal Auditor was in a better position to give an overall opinion on the adequacy of the control environment.
- 50 A framework is in place to ensure the economic, effective and efficient use of resources and for securing continuous improvement. This is supported by a range of mechanisms including collaborative working initiatives and reviews undertaken both internally and by the external auditors and inspectors. This framework works in conjunction with the Local Government Wales Measure 2009.
- 51 Chief Officers and Heads of Service are accountable for ensuring that the Council Priorities are delivered, and performance against key targets is regularly monitored via the performance management framework and is regularly reported to members via Select Committees.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation

- 52 There are robust arrangements for effective financial control through the Council's accounting procedures and financial regulations. These include established budget planning procedures, which are subject to risk assessment, and regular reports to members comparing actual revenue and capital expenditure to annual budgets. The Chief Finance Officer is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972. Procedures for tendering and contract letting are included in the Contract Procedure Rules and Financial Regulations. The Council's Treasury Management arrangements follow professional practice, are subject to regular review and are contained in the Treasury Management Strategy approved by Council each year.

53 The ethical governance framework includes:

- codes of conduct for officers and members
- a protocol governing Member/Officer relations,
- a whistle-blowing policy widely communicated within the Council and which is regularly reviewed. Number ?? - HR
- registers of personal and business interests for Members
- an agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons can be applied.
- equalities awareness training

54 In accordance with the Local Government and Housing Act, 1989, the Monitoring Officer ensures compliance with established policies, procedures, laws and regulations. After appropriate consultation, this officer will report to the full Council in respect of any proposals, decisions or omissions which could be unlawful or which have been subject of an Ombudsman Investigation resulting in a finding of maladministration.

55 The anti-fraud and corruption strategy (approved by Cabinet March 2012) provides a deterrent, promotes detection, identifies a clear pathway for investigation and encourages prevention.

56 The Audit Committee considers the effectiveness of the Council's arrangements for securing continuous improvement including risk management arrangements. The Audit Committee also considers corporate governance, monitors the work of auditors and inspectors, and monitors the relationships between auditors and staff and the responses to audit and inspection recommendations. It also has responsibility for reviewing the Annual Statement of Accounts and its associated reports (which include this statement) before approval by Council. The Audit Committee has an independent, non political, Chairman.

57 Internal Audit operate to the standards set out in the 'Public Sector Internal Auditing Standards' which have been developed from the Institute of Internal Auditors (IIA) International Internal Auditing Standards which came into effect in April 2013. The team's role and status is set out in the Council's Internal Audit Charter. The Chief Internal Auditor reports to the Audit Committee a summary of audit findings for each quarter, and also reports annually an opinion on the overall adequacy and effectiveness of the Council's control environment.

58 The audit team has always been compliant with the Code of Practice, but with effect from April 2013 the Chief Internal Auditor will ensure Internal Audit complies with the Public Sector Internal Audit Standards.

59 The Council has an objective and professional relationship with its external auditors and statutory inspectors, as evidenced by the Annual Improvement Report. This can be found on the Council's website.

60 Minutes, Agendas & Reports along with their subsequent decision schedules and questions to Cabinet Members are all available on the web site. Council, Cabinet, Scrutiny and Audit Committee reports are available on the Council's website – all live streamed ... no minutes of cabinet minute maintained currently – decision logs in accordance with the legislation - update

Risk management

61 The Council's Strategic Risk Management Policy was updated and approved by Cabinet in March 2015. The revisions provide greater clarity on how the risk levels are to be assessed. The policy requires the proactive participation of all those responsible for planning and delivering services in identifying, evaluating and managing high level strategic risks to the Council's priorities, services and major projects. The risk controls necessary to manage them are identified and monitored to ensure risk mitigation.

62 A Whole Authority Strategic Risk Assessment for 2015-2016 has been compiled as a starting point from service improvement plans. In addition a wide range of performance information including reports from

regulators and inspectors, data and performance analysis and feedback from the Authority's partners and service users was used. In order to mitigate the risks, proposed action was recorded and factored back into the respective service improvement plan. This was presented to Cabinet in March 2016. As well as being approved by Cabinet the risk assessment was presented to Council alongside consideration of the budget.

- 63** The Council's Strategic Risk Assessment contains 11 distinct risks. Following the revised policy these must now be updated and reviewed throughout the year with the latest version being made available to members via The Hub. **update format of table**

Ref	Risk	Risk Level (Pre – mitigation)				Risk Level (Post – mitigation)			
		Year	Likelihood	Impact	Risk Level	Year	Likelihood	Impact	Risk Level
1 ne w	The authority is unable to deliver its political priorities in the future because it does not yet have clarity on its future business model or longer term financial plan.	2015/ 16	Unlikely	Major	Low	2015/ 16	Unlikely	Major	Low
		2016/ 17	Possible	Major	Medium	2016/ 17	Unlikely	Major	Low
		2017/ 18	Possible	Major	Medium	2017/ 18	Unlikely	Major	Low
2	Some services may become financially unsustainable in the short to medium term as a result of reducing budgets and increasing demand	2015/ 16	Unlikely	Major	Low	2015/ 16	Unlikely	Major	Low
		2016/ 17	Possible	Major	Medium	2016/ 17	Unlikely	Major	Low
		2017/ 18	Possible	Major	Medium	2017/ 18	Unlikely	Major	Low
3	A failure to meet income targets could lead to unplanned changes in other services or a call on reserves to balance the budget.	2015/ 16	Likely	Moderate	Medium	2015/ 16	Likely	Moderate	Medium
		2016/ 17	Likely	Substantial	Medium	2016/ 17	Possible	Substantial	Medium
		2017/ 18	Likely	Substantial	Medium	2017/ 18	Possible	Substantial	Medium
4a	Potential that the authority is unable to deliver its new schools capital programme due to capital receipts not generating the required income	2015/ 16	Possible	Major	Medium	2015/ 16	Possible	Major	Medium
		2016/ 17	Possible	Major	Medium	2016/ 17	Possible	Major	Medium
4b	Pressure on capital budget from 21 st Century schools programme will impact on other areas requiring capital investment.	2017/ 18	Likely	Major	High	2017/ 18	Possible	Major	Medium

5	Potential that the Council does not make sufficient progress in areas of weakness identified by regulators leading to underperformance	2015/ 16	Unlik ely	Substan tial	low	2015/ 16	unlik ely	Substa ntial	Low
		2016/ 17	Possi ble	Substan tial	Medi um	2016/ 17	Unlik ely	Substa ntial	Low
		2017/ 18	Possi ble	Substan tial	Medi um	2017/ 18	Unlik ely	Substa ntial	Low
6a	Potential for significant harm to vulnerable children or adults due to factors outside our control.	2015/ 16	Possi ble	Major	Medi um	2015/ 16	Possi ble	Major	Mediu m
		2016/ 17	Possi ble	Major	Medi um	2016/ 17	Possi ble	Major	Mediu m
6b	Potential for significant harm to vulnerable children or adults due to failure of services and/or partners to act accountably for safeguarding	2017/ 18	Possi ble	Major	Medi um	2017/ 18	Possi ble	Major	Mediu m
7	Failure to meet the needs of individual learners may result in them not achieving their full potential.	2015/ 16	Possi ble	Major	Medi um	2015/ 16	Unlik ely	Major	Low
		2016/ 17	Possi ble	Major	Medi um	2016/ 17	Unlik ely	Major	Low
		2017/ 18	Possi ble	Major	Medi um	2017/ 18	Unlik ely	Major	Low
8a	Potential that council services, including schools do not have the necessary ICT infrastructure meaning they are unable to maximise their offer to service users or learners needs.	2015/ 16	Likel y	Substan tial	Medi um	2015/ 16	Likel y	Substa ntial	Mediu m
		2016/ 17	Likel y	Substan tial	Medi um	2016/ 17	Likel y	Substa ntial	Mediu m
		2017/ 18	Likel y	Substan tial	Medi um	2017/ 18	Possi ble	Substa ntial	Mediu m

8b	Insufficient ICT infrastructure and skills in the county have the potential to lead to social and economic disadvantages	2015/ 16	Likel y	Substan tial	Medi um	2015/ 16	Likel y	Substa ntial	Mediu m
		2016/ 17	Likel y	Substan tial	Medi um	2016/ 17	Likel y	Substa ntial	Mediu m
		2017/ 18	Likel y	Substan tial	Medi um	2017/ 18	Possi ble	Substa ntial	Mediu m
9	Reductions in our workforce due to budgetary pressures will impact on our capacity to deliver transformational change and improve performance.	2015/ 16	Possi ble	Substan tial	Medi um	2015/ 16	Possi ble	Substa ntial	Mediu m
		2016/ 17	Possi ble	Substan tial	Medi um	2016/ 17	Possi ble	Substa ntial	Mediu m
		2017/ 18	Possi ble	Substan tial	Medi um	2017/ 18	Unlik ely	Substa ntial	Low
10	Not having appropriate governance mechanisms does not make it easy for communities to work with us when we are co-delivering and co-developing services which will impact on our shared ability to deliver sustainable and resilient communities.	2015/ 16	Possi ble	Substan tial	Medi um	2015/ 16	Possi ble	Substa ntial	Mediu m
		2016/ 17	Possi ble	Substan tial	Medi um	2016/ 17	Possi ble	Substa ntial	Mediu m
		2017/ 18	Possi ble	Substan tial	Medi um	2017/ 18	Unlik ely	Substa ntial	Low
11 ne w	The current configuration of the recycling service becomes unviable because of legislation requirements and financial constraints.	2015/ 16	Unlik ely	Moder ate	Low	2015/ 16	Unlik ely	Moder ate	Low
		2016/ 17	Likel y	Substan tial	Medi um	2016/ 17	Un likely	Substa ntial	low

Principle 5: Developing the capacity and capability of members and officers to be effective

- 64 The Standards Committee, which includes a majority of independent representatives, advises on and monitors the Members' Code of Conduct, the Protocol for Member/Officer Relations, and any other Codes relating to the conduct of Members.
- 65 The Council's recruitment procedures provide equality of employment opportunities. The equality-assessed pay structure meets the requirements of the Single Status Agreement of 1997. The Single Status Collective Agreement was approved by Cabinet in September 2010.

Good governance and upholding standards of behaviour

- 66 Agreed arrangements enable the Council to comply with statutory requirements in respect of child protection and the protection of vulnerable adults. Recruitment procedures help ensure that Council employees and Members working with children or vulnerable adults are checked for their suitability to do so.
- 67 In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures.
- 68 The Council's website includes other information which the Council is required to publish, such as allowances paid to members in accordance with statutory provisions. There are also agreed procedures to meet the requirements of the Regulation of Investigatory Powers Act 2000. The Council operates a Data Protection policy and also has procedures in place to meet its responsibilities under the Environmental Information Regulations and the Freedom of Information Act, 2000.
- 69 There is continued support for Members' development through briefing sessions and other learning opportunities. There is also ongoing training and development which meets the needs of officers and members through the corporate programme. Coaching and leadership skills training will be rolled out to all managers in due course. Check in, Check Out provides a value-based performance assessment approach between staff and line managers and aims to ensure employees have clear and effective understanding of their contribution to the objectives of their teams and subsequently the Council. Based on feedback received the process has been evaluated and been further developed in 2015/16. **Check wording**

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

- 70 The agendas are published in advance of all meetings on the Council's website.
- 71 The Scrutiny Annual Report is produced for the Council meeting in July each year. The scrutiny function has a 'Scrutiny Service Improvement Plan'. The plan is built into the Council's improvement framework. The plan is also scrutinised by the Council's Audit Committee annually to ensure they are satisfied that the Council has appropriate and effective scrutiny arrangements in place
- 72 The Scheme of Delegation sets out responsibilities for decision making. The Council's website includes the Cabinet and Cabinet Member decisions / Member profiles. The Scrutiny Handbook provides a guide for Members, officers and the public on the role and value of scrutiny and the website displays the Scrutiny Forward Work Programme and invites public submissions. Development of Customer Insight to better understand our communities. Dissemination of ward meeting minutes.

- 73 Social media, Twitter and Facebook for example, is increasingly being used to engage local people and communicate the corporate message. The council has partnered with an IT supplier to develop Monmouthshire Made Open – a digital engagement platform to enable local people to help shape ideas to the challenges facing their communities.
- 74 All meetings are held in public as shown from Committee agendas and minutes which are then available on the website. All meetings - The Council, Cabinet, Audit Committee, Select Committees and Planning / Licensing Committees are streamed live on the internet.
- 75 There were several extensive public engagement events undertaken in 2013/14, 2014/15 and 2015/16 for the budget. MCC's model of engagement in understanding its communities' views and the way it now operates as an organisation was shared with many delegates at a Welsh sustainability conference as exemplar. The development of 'Your County Your Way' and Whole Place approach has encouraged the community within Monmouthshire to actively contribute to making stepped changes to improve the way in which services are provided; the intention is to transform public service delivery. This links back to the population outcomes for Monmouthshire in the Single Integrated Plan.
- 76 The Council has received a number of Freedom of Information Act requests during the year, with no complaints made to the Information Commission Officer. 98% of requests were responded to within the required 20 days:

	2013-14	2014-15	2015-16
No' of FOI requests	918	1023	1057
No' responded to within 20 days	841	1002	1034
Percentage of FOIs responded to within 20 days	93%	95%	98%

Main areas of Concern

- 77 The following Table outlines where the Council has identified gaps in its governance arrangements, which will be addressed in the forthcoming months to further strengthen governance in Monmouthshire County Council.

Governance Principle		Progress?
Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens	The governance arrangements for all of the Monmouthshire partnerships will be clarified and reported to Members in due course through the Audit Committee.	
Principle 3: Promoting values for the Authority and demonstrating the	The Internal Audit team will work with the Procurement Team to continue to deliver awareness raising sessions on	

values of good governance through upholding high standards of conduct and behaviour;	the importance of compliance with Contract Procedure Rules and Financial Procedure Rules	
Principle 5: Developing the capacity and capability of members and officers to be effective	The Appraisal process will continue to be rolled out to all staff which will pick up any issues here.	The employee performance appraisal approach (check-in, check-out) has been evaluated based on the feedback received and a revised process established which has been rolled out for all staff.
Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability	Decision making work programmes will continue to be populated in advance in future.	

Action Plan 2014/15

- 78** Appendix 1 shows how the 2014/15 Action plan issues have been addressed during 2015/16.
- 79** An Action Plan for 2015/16 has been developed to capture known gaps in the Council's governance arrangements; the issues will be reviewed and considered during 2016/17 to further enhance the Council's governance arrangements. This is shown at Appendix 2.

Monitoring & Evaluation

- 80** We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:2016
Leader

Signed:2016
Chief Executive

Action Plan 2015/16

The following issues will be reviewed and considered during 2016/17 to further enhance the Council's governance arrangements:

Main areas of Concern 2014/15 addressed

The following Table outlines where the Council has addressed gaps previously identified in its governance arrangements.

Governance Principle		
Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens	The governance arrangements for all of the Monmouthshire partnerships will be clarified and reported to Members in due course through the Audit Committee.	
Principle 3: Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;	The Internal Audit team will work with the Procurement Team to continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules	
Principle 5: Developing the capacity and capability of members and officers to be effective	The Appraisal process will continue to be rolled out to all staff which will pick up any issues here.	
Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability	Decision making work programmes will continue to be populated in advance in future.	

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**SUBJECT: INTERNAL AUDIT SECTION
OPERATIONAL PLAN, 2016/17
DRAFT**

**DIRECTORATE: Chief Executive
MEETING: Audit Committee
DATE: 21st April 2016
DIVISION/WARDS AFFECTED: All**

1. PURPOSE

To receive and consider the early draft Internal Audit Operational Audit Plan for 2016/17

2. RECOMMENDATION(S)

That the Audit Committee reviews, comments on and shapes the early Draft Audit Plan with a view to receiving a much more detailed plan by the end of the 1st quarter.

3. KEY ISSUES

- 3.1 A comprehensive risk matrix was developed for the 2011/12 planning process which gave an outline programme of work that would enable the Internal Audit Section to cover all material audit risks across all services of the Council.
- 3.2 This report explains how the 2016/17 Operational Audit Plan has been prepared and how the plan will be put together in future years. The risk matrix enables all possible systems, processes, sections and establishments that could possibly be audited within Monmouthshire to be risk assessed and ranked in a high to low risk priority. Size, Control and Detection were the overarching categories which risk was assessed against, each broken down to 4 sub categories. Each area was individually scored against each criteria with an overall score being determined by the risk matrix, where 5 was considered to be the highest risk and 1 the lowest.
- 3.3 Over 300 possible areas to audit across all services provided by Monmouthshire were risk assessed in this way and then sorted in risk order from high, then medium and low. The audit team staff resources would then be allocated to cover the higher ranked risks as a priority. That said, inevitably there will be reviews which the audit team have to undertake annually such as performance indicators, annual governance statement and financial advice, which have also been incorporated into the plan, along with follow up reviews, finalisation work and planned work from previous year not undertaken.

- 3.4 An allocation of time has been included in the plan for special investigations where the team might receive allegations of fraud, theft, non compliance. The plan also needs to be flexible enough to respond to changes to risk profiles and other developments in year; the audit management team will continually monitor this situation.
- 3.5 For 2016/17, total available audit resources amounts to 917 days, which will be allocated across service directorates on a risk basis. This includes 116 days for special investigations and unplanned work. The work will be undertaken by 5.4 FTE audit staff. The available resource is based on all staff being in place for the whole of the year.
- 3.6 Although the time allocated to special investigations is usually a pressure point the 2016/17 allocation of days has been reduced to ensure appropriate coverage is given across service areas.
- 3.7 The detail of the plan is still to be determined following a consultation exercise with Heads of Service and a more detailed risk analysis of what needs to be reviewed in year. The first quarter will include finalisation of 2015/16 work which was at draft report stage at year end, work planned for 2015/16 but not completed, corporate performance indicators along with the collation of the annual governance statement.
- 3.8 This plan may change as the year progresses if the risk profile of audit work changes. Any significant change will be brought back to the Audit Committee for approval. The Audit Committee will be kept updated with the progress against the agreed plan via quarterly reports. The intention is to bring an updated plan back to Audit Committee by the end of the 1st quarter.
- 3.9 The team comprises of one Audit Manager supported by one Principal Auditor, two Senior Auditors and one Auditor with the Chief Internal Auditor having overall responsibility for the team; he operates on a shared services arrangement with Newport City Council.
- 3.10 Although we plan to achieve 100% of the plan based on the available resources within the Internal Audit team, we know from experience that we actually achieve around 70%. In order to get closer to achieving more of the plan, Audit Management will ensure audit reports are more focused and timely, that staff with the right skill sets are allocated to appropriate work and non-productive time is minimised.

4. REASONS

- 4.1 The draft 2016/17 Internal Audit Summary Plan is attached at Appendix 1 to this report. The Plan will be based on the risk assessment matrix along with cumulative audit knowledge. This will be reviewed on an annual basis in order to determine the appropriateness of the risk assessment each year where audit resources will be deployed to cover the higher risk reviews.

- 4.2 The Operational Plan has been updated to take account of:
- a) New areas for inclusion in the Plan identified from changes to legislation and the regulatory framework for local government and from ongoing discussions with service managers;
 - b) Areas of slippage from the 2015/16 Operational Plan; and
 - c) The published Regulatory Plan produced by the Wales Audit Office.
- 4.3 Each review will be risk assessed and categorised as High, Medium or Low. Within the cycle of audits the team would aim to cover the higher risk areas as a priority but also provide coverage across directorates with lower risk services. All fundamental financial systems may now not be covered on an annual basis, especially if they have been determined as well controlled, with no significant changes to the system or to personnel. We will ensure that these are incorporated within the plan every few years to provide ongoing assurance. This new approach and methodology has been discussed and agreed with the external auditor who places reliance on the work undertaken by internal audit.
- 4.4 Where audits planned for 2015/16 were unable to be undertaken during the year due to insufficient resources and the effects of unplanned special work, these audits will be included in the Operational Plan for 2016/17 and will be undertaken in the early part of the financial year. Similarly, those audits in progress at the year-end will be completed early in the 2016/17 financial year, and an allowance of time will be included within the Plan for these audits.
- 4.5 Consultation will be undertaken, with visits and email correspondence to the various managers and finance representatives of each directorate. As a result there may be further minor amendments to the Plan to reflect specific suggestions from various representatives of Chief Officers and Heads of Service.
- 4.6 The Operational Plan will be kept under review through the course of the year to identify any amendments needed to reflect changing priorities and emerging risks. Material changes to the Plan will be reported to the Audit Committee at the earliest opportunity.
- 4.7 An annual Outturn Report will be prepared for the Audit Committee to provide details on the performance of the Section against the Operational Plan. Interim progress reports will also be provided to the Committee three times per year.
- 4.8 With effect from 1st April 2013 the Public Sector Internal Audit Standards came into play for all public sector bodies including local government organisations and applies to all public sector internal audit service providers. The Chief Internal Auditor will ensure that the audit team undertake their work in accordance with these Standards.

5. RESOURCE IMPLICATIONS

None.

6. CONSULTEES

Head of Finance

7. BACKGROUND PAPERS

Strategic Audit Risk Matrix
Public Sector Internal Audit Standards
CIPFA Local Government Internal Audit Manual

8. AUTHORS AND CONTACT DETAILS

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Internal Audit Draft Plan 2016/17

Summary

	2015/16	2016/17	2016/17
	Days		
Chief Executive's Unit	306		253.5
- Democracy & Regulatory Services		24	
- Finance		117	
- Operations		74	
- Policy & Engagement		38.5	
Children & Young People's Directorate	173		190
Enterprise	93		139
Social Care, Health & Safeguarding	80		81
Corporate/Other	64		138
TOTAL	716		801.5
Special Investigations	130		116
OVERALL TOTAL	846		917.5

INTERNAL AUDIT PLAN 2016-17				
			Risk	Days
Directorate:	Chief Executive's - Democracy & Regulatory Services			
Service Area:	Description:			
Emergency Planning				
Customer Relations				
Data Protection /FOI				
Scrutiny				
Local Democracy				
Community Protection	Environmental Health			
	Trading Standards			
	Licensing		Low	10
	Registrars		Medium	10
	Health & Safety			
	Building Control			
Legal	Monitoring Officer			
	Legal Services			
	Land Charges			
Finalisation of 2015/16 Audits:				
Follow-up of Audit Recommendations				2
	Audit Advice			2
Directorate Total:				24

Directorate:	Chief Executive's - Finance			
Service Area:	Description:		Risk	Days
Accountancy	Budgetary Control			
	Grants Administration			
	Capital Accountancy	Fixed Assets	Medium	12
	Treasury Management			
	Insurances			12
Revenues	Council Tax	C Tax & NDR Systems review	High	27
	Non-Domestic Rates			
	Coporate Sundry Debtors			

Financial System Support Team				
	Agresso System Administration			
	i-World System Administration			
	Civica System Administration			
	Comino System Administration			
	Creditor Payments		High	12
	Procurement Cards Follow-up		Medium	8
	Value Added Tax			
	Banking			
	Cashiers			
	Suspense, Control & Holding Accounting Reconciliation		Medium	10
Finalisation of 2015/16 Audits:				
	Creditors		High	3
	Benefits		High	3
	Agresso Systems Administration		Medium	2
Follow-up of Audit Recommendations				
	Audit Advice			11
Directorate Total:				
				117

Directorate:	Chief Executive's - Operations				
Service Area:	Description:		Risk	Days	
Highways Operations					
SWTRA / Street Lighting					
Traffic & Network					
Passenger Transport Unit					
	PTU follow-up				12
Transport					
	Transport Unit	Leased Vehicles	Medium		12
		Fuel Cards	Low		8
	Car Parks				
Property Services & Facilities Management					
	Strategic Procurement				
	Facilities				
	Office Services				
	School Meals (in progress)		Medium		2
	Property Maintenance				
	Procurement follow-		High		9

	up			
Waste & Street Services				
	Grounds Operations			
	Parks & Playgrounds			
	Refuse Collection	Garden Waste	Low	9
	Street Cleansing			
	Recycling			
	Waste Transfer			
	Contact Centre			
Finalisation of 2015/16 Audits:				
	Ground Operations		Medium	2
Follow-up of Audit Recommendations				
	Audit Advice			8
				12
Directorate Total:				
				74

Directorate:	Chief Executive's - Policy & Engagement			
Service Area:	Description:		Risk	Days
Communications & Engagement				
	Communications			
	Website & Digital Media			
Policy & Performance				
	Performance Indicators - NSI, PAM, SIDS		Medium	22
	Performance Indicators - Local		Medium	14
	Sustainability			
	Equalities & Welsh Language			
Strategic Partnerships				
	Local Services Board			
	Families First			
Mandate Delivery				
Finalisation of 2015/16 Audits:				
Follow-up of Audit Recommendations				
	Audit Advice			2.5
Directorate Total:				
				38.5

Directorate:	Children & Young People				
Service Area:	Description:		Risk	Days	
Resources	Finance				
	Admissions	School Admissions	Medium	10	
	Catchment Areas				
	Performance Management				
	Audit Advice			6	
Standards	Education Achievement Service				
	School Improvement	Education Improvement Grant	Medium	10	
		Pupil Deprivation Grant	Low	10	
		Outside of School Childcare Grant	Low	8	
	Special Needs				
	Additional Learning Needs			12	
	Audit Advice			2	
21st Century Schools	21st Century Schools				
	Audit Advice			1	
Schools	Primary				
		The Dell	Low	8	
		Raglan	Low	8	
		Pembroke	Low	8	
		Our Lady & St. Michael's	Low	8	
		Ysgol Y Ffin	Low	8	
		Magor (follow-up)	Medium	8	
		Llantilio Pertholey (in progress)	Low	3	
	Secondary				
		Chepstow (follow-up)	Medium	10	
	Special				
	Pupil Referral Service (in progress)		Low	3	
	Audit Advice			22	
Youth Service					
	Audit Advice			1	

Finalisation of 2015/16 Audits:				
	Llanvihangel Crucorney Primary		Low	2
	Magor Primary		Medium	2
	Durand Primary		Low	2
	Dewstow Primary		Low	2
	King Henry VIII Comprehensive		Medium	3
Follow-up of Audit Recommendations				33
Directorate Total:				190

Directorate:	Enterprise			
Service Area:	Description:		Risk	Days
Community Delivery				
	Estates	Markets follow-up	Medium	8
		County Farms (in progress)	Medium	2
	Housing	Homelessness	Medium	10
	Community Learning			
	Whole Place			
	Events (in progress)		Medium	3
	Museums			
	Tourist Information Centres			
	Community Hubs		Medium	10
	Audit Advice			5
People & Commercial Development				
	People Services	Payroll - Full systems review	High	24
	People Services	Policy Review	Medium	15
	Organisational Development			
	Economy & Enterprise	Economic Development	Medium	10
	Digital & Technology			
	Audit Advice			8
Planning				
	Development Control			
	Development Plans			
	Community Infrastructure Levy/s.106			
	Audit Advice			1
Tourism, Leisure & Culture				
	Planning new models of service delivery		High	10
	Leisure			
	Sports Development		Low	10
	Outdoor Learning			
	Countryside			

	Audit Advice			10
Finalisation of 2015/16 Audits:				
				0
	Outdoor Education		Medium	2
Follow-up of Audit Recommendations				
				11
Directorate Total:				
				139

Directorate:	Social Care, Health & Safeguarding			
Service Area:	Description:		Risk	Days
Integrated (Adult) Services				
	Integrated Services	Former Monmouthshire Enterprises follow-up	Medium	11
Mental Health & Learning Disabilities				
	Service development & Commissioning	Supporting People Grant Claim	Medium	10
	Audit Advice			8
Children's Services				
	Placement & Support Team	External Placements	Medium	14
Children & Young People & Support Team				
	Family Support Team			
	Disability Service			
Youth Offending Service				
	Safeguarding			
	Audit Advice			3
Older People's Direct Care Services				
	Day Service			
	Residential Care	Mardy Park	Low	8
	Domiciliary Care			
Community Meals Service				
Centre Based Intermediate Care				
Performance & Improvement				
	Audit Advice			5
SCH Finance				
	SCH Debtors			
	Benefits Advice			
Appointeeships & Deputyships				
	Audit Advice			2

Finalisation of 2015/16 Audits:			
	Youth Offending Service	Medium	2
	Community Meals	Low	2
	SCH Debtors	High	2
Follow-up of Audit Recommendations			14
Directorate Total:			81

Directorate:	Corporate/Other		
Service Area:	Description:	Risk	Days
	Compliance with Bribery Act	Medium	10
	Risk Management Arrangements	High	12
	BACS - Compliance with SHA-2 protocols	High	9
	Monitoring of MTFP savings mandates	High	12
	Capital Receipts	Medium	12
	Capital Programme (in progress)	High	6
	Software Licensing (with SRS)	Medium	12
	IT Procurement	Medium	12
	National Fraud Initiative	Medium	18
	Volunteering	Medium	12
	Annual Governance Statement	n/a	7
Finalisation of 2015/16 Audits:			
	Mobile Phones	Low	3
	National Fraud Initiative	Medium	2
Follow-up of Audit Recommendations			11
Total:			138



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

**DIRECTORATE: Chief Executive's
MEETING: Audit Committee
DATE: 21st April 2016
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 October 2015.

4.3 The following unfavourable audit opinions have been issued since 2011/12 (Details at Appendix 2):

	Unsatisfactory	Unsound
2011/12	4	1
2012/13	2	0
2013/14	0	0
2014/15	6	0
2015/16		

4.4 In 2012/13 the reports were as follows:

	Assignment	Risk H/M/L	Rating	Revised Opinion	Date Issued
2012-13	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

4.7 In 2015/16, 7 audit reports have been issued with an Unsatisfactory audit opinion, 6 of which were carried forward from 2014/15;

	Assignment	Risk H/M/L	Rating	Revised Opinion	Date Issued
2015/16	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		
	Markets	Medium	Unsatisfactory		

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

4.9 Officers from Passenger Transport Unit, Chepstow School and Monmouthshire Enterprises have previously been invited to and subsequently attended Audit Committee in order to respond to Members questions and to provide assurances that appropriate actions would be taken to improve the financial control environment.

4.10 The main issues were:

a. Passenger Transport Unit

- Previously reported to Audit Committee

b. Procurement - Off Contract Purchasing

- Previously reported to Audit Committee

e. Llanfair Kilgeddin Primary School

- Previously reported to Audit Committee

f. Monmouthshire Enterprises

- Previously reported to Audit Committee

g. Markets

- The workforce planning arrangements need to be reviewed to reduce the level of overtime paid to salaried staff with particular attention being given to the practice of paying overtime to staff while they were on sick;
- The rates charged to traders could vary from the price list approved by Cabinet for a variety of reasons. The decisions were made by the Market Supervisor, often in conjunction with the Area Manager. However there was a lack of audit trail regarding these decisions and in some cases arrangements had been in place for a number of years with no recent review to ensure that rates were still fit for purpose;
- Arrears records were maintained on spreadsheet and were updated in retrospect based on the paper daily income lists. It was noted that the format of the arrears spreadsheet did not provide a clear enough record of charges and income or where allowances were given. In several cases it was noted that the arrears figures were not correctly calculated and had therefore resulted in incorrect balances being reported;
- Traders were allowed to reach a £300 maximum level of arrears. Although traders were marked as 'finished' on records there was a lack of evidence of further debt recovery;
- There was no formal evidence of a rota in place at Abergavenny Market. Staff input number of hours and reason for the hours

directly on My View, however there were no supporting timesheets to show the times worked by employees in excess of the standard week;

- Additional hours for Markets staff at Abergavenny were approved by the Facilities Officer, who did not line manage the staff concerned;
- Traders' insurance details were not up to date; and
- The insurance limit for cash held in the safe was exceeded on four occasions, and at one time this was exceeded by £5,065.

4.11 Following a draft report discussion with the Estates Manager, the Markets Report has subsequently been finalised with him agreeing to implement the recommendations in order to address the weaknesses identified as part of the audit review. Controls will be further strengthened as a new Market and Facilities Supervisor has started with the Authority. A follow up audit will be undertaken during 2016/17.

4.12 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. These reviews will be followed up in 2016/17.

4.13 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

Andrew Wathan, Chief Internal Auditor

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Email: andrewwathan@monmouthshire.gov.uk

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
VERY GOOD	Very well controlled with minimal risk identified; a few minor recommendations.
GOOD	Well controlled although some risk identified which needs addressing.
REASONABLE	Adequately controlled although some risks identified which may compromise the overall control environment.
UNSATISFACTORY	Not very well controlled; unacceptable levels of risk identified; changes required urgently.
UNSOUND	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.

Revised Internal Audit Opinions from 2015/16

SUBSTANTIAL	<p>Substantial level of assurance.</p> <p>Well controlled although some minor risks may have been identified which require addressing;</p>
REASONABLE	<p>Reasonable level of assurance.</p> <p>Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required;</p>
LIMITED	<p>Limited level of assurance.</p> <p>Poorly controlled, with unacceptable levels of risk. Fundamental improvements required immediately.</p>

The tables below summarise the ratings used during the review and the number of occurrences of each rating identified during this review.

RATING	RISK DESCRIPTION	IMPACT	TOTAL IDENTIFIED DURING REVIEW
1	Significant	<p>(Significant) – Major / unacceptable risk identified.</p> <p>Risk exist which could impact on the key business objectives. Immediate action required to address risks.</p>	
2	Moderate	<p>(Important) – Risk identified that requires attention.</p> <p>Risk identified which are not business critical but which require management as soon as possible.</p>	
3.	Minor	<p>(Minimal) - Low risk partially mitigated but should still be addressed</p> <p>Audit comments highlight a suggestion or idea that management may want to consider.</p>	
4.	Strength	<p>(No risk) – Good operational practices confirmed.</p> <p>Well controlled processes delivering a sound internal control framework.</p>	

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2016 Audit Plan

Monmouthshire County Council

Audit year: 2015-16

Issued: March 2016

Document reference: 321A2016

Status of document

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This document was produced by Ann-Marie Harkin, Terry Lewis and Non Jenkins.

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2016 Audit Plan

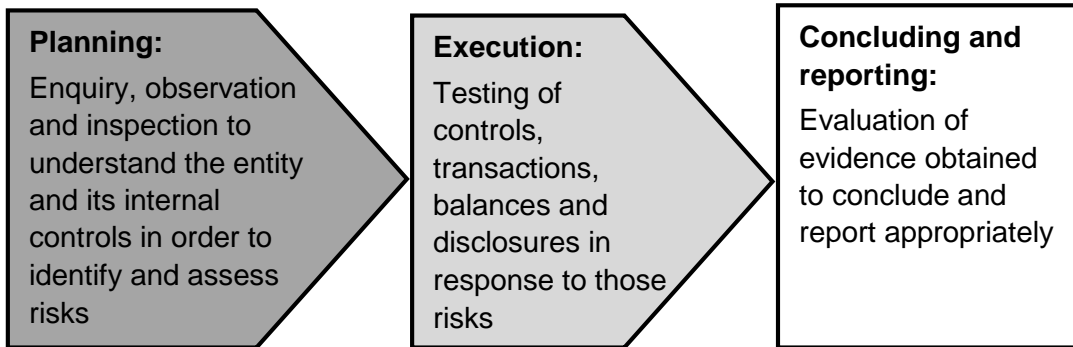
Summary

1. As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice, namely to:
 - examine and certify whether your financial statements are ‘true and fair’;
 - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
 - audit and assess whether you have discharged duties and met requirements of the Measure; and
 - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
2. The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
3. There have been no limitations imposed on me in planning the scope of this audit.
4. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Financial audit

5. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their ‘truth and fairness’.
6. I also consider whether or not Monmouthshire County Council (the Council) has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
7. [Appendix 1](#) sets out my responsibilities in full.
8. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: My audit approach



9. The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, are set out in **Exhibit 2** along with the work I intend to undertake to address them.

Exhibit 2: Financial audit risks

Financial audit risk	Proposed audit response
<p>Fraud Risks</p> <p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>We will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business.
<p>Risk of Misstatement</p> <p>Risk of material misstatement in the financial statements arising from error or omission of transactions, balances and disclosure.</p>	<p>On receipt of the 2015-16 draft financial statements in June 2016, we will undertake a review of the statements and update our risk assessment accordingly.</p> <p>We will design audit testing programmes to focus our work on material balances and transactions and any additional financial statement risks that arise following our review of the draft financial statements.</p>

Financial audit risk	Proposed audit response
<p>Accounts Preparation</p> <p>The preparation of the Statement of Accounts will involve the estimation of a number of account figures such as provisions for the Council's liabilities.</p>	<p>We will review:</p> <ul style="list-style-type: none"> the annual assessment made by officers of the basis on which estimates are made and revised in line with the latest information; and documentation held to support estimates derived and judgements made, and refer to papers provided in support of them. <p>We will also ensure that appropriate accounting and disclosure requirements are included within the financial statements.</p>
<p>Sensitive Disclosures</p> <p>The Council's 2014-15 financial statements will include a number of disclosures which are material by nature. These include the disclosure of Related Parties, Senior Officer's Remuneration and Members' Allowances.</p>	<p>We will review all notes and disclosures that are material by nature and will substantively test these to ensure that they are consistent with supporting evidence and all required disclosures are made in line with the Code of Practice on Local Authority Accounting</p>
<p>Joint Progress Document (JPD)</p> <p>A number of issues were identified during our 2014-15 audit which the Council agreed to address for 2015-16 including:</p> <ul style="list-style-type: none"> Working closely with Torfaen Pension Fund in respect of the Capita Gwent Pension liability; Correcting the Innovation house asset life; Recalculating certain asset values (those based on Depreciated replacement cost); Transferring legal title to Osbaston School. 	<p>We will follow up the progress made by the Council in addressing the issues raised within the Joint Progress Document.</p>
<p>Cardiff Capital Region (the region) City Deal:</p> <p>City deals are arrangements negotiated with government that give greater accountability for actions in return for new powers to help encourage growth and jobs. The region's deal involves 10 South Wales local authorities. To take forward negotiations a City Deal Partnership Board has been formed which is supported by a number of groups. In November 2015 the region made a headline submission for a £1.28 billion City Deal to the UK Treasury with the Welsh Government committing to providing up to £580 million of capital funding. Such a significant programme will have financial, governance and delivery risks that need to be managed.</p>	<p>Liaising closely with the external auditors of the other nine Local Authorities, my audit team will monitor progress with the region's City Deal bid and carry out early work as necessary to assess the existing and proposed financial and governance arrangements. We will also take into account the work undertaken by HM Treasury to scrutinise the effectiveness of the region's governance arrangements.</p>

-
10. I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.
 11. For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of five per cent of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
 12. My fees are based on the following assumptions:
 - information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
 - all appropriate officers will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
 13. In addition to my responsibilities in respect of the audit of the Council's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts.
 14. It should be noted that for 2015-16, the Welsh Government is in the process of setting revised thresholds to determine whether an audited body's Whole of Government Accounts return is subject to audit. We will review the revised thresholds with officers and assess whether an audit certificate is required.

Certification of grant claims and returns

15. I have been requested to undertake certification work on the Council's grant claims and returns. A total of 11 grant claims were audited in 2014-15 and whilst the final programme of grants and returns requiring certification for 2015-16 is yet to be finalised I anticipate the number of claims requiring audit to be of a similar number.
16. A separate report, Certification of Grants and Returns 2014-15, has been issued which sets out the key issues I have identified in relation to the individual claims and returns audited.
17. An estimate of my audit fee for auditing the 2015-16 grant claims, is set out in Exhibit 4.

Other work undertaken

18. In addition to my responsibilities in respect of the audit of the statutory financial statements set out above, I am also responsible for the audit of the Monmouthshire County Council Welsh Church Act Fund and the Monmouthshire Farm School Endowment Trust Fund. My team will undertake the audit of these accounts on my behalf in accordance with the timescales agreed with the Council, as trustees, and the Charity Commission.
19. The fee for this work will be discussed with the Council and is excluded from the fee set out in this Plan.

Performance audit

20. The components of my performance audit work are shown in [Exhibit 3](#) and have been designed in order to help deliver the high-level objectives set out in our 2013-2016 corporate strategy (www.audit.wales/publication/wales-audit-office-corporate-strategy-2013-2016).

[Exhibit 3: Components of my performance audit work](#)



21. Local government in Wales is going through an unprecedented period of change. Austerity continues to bite, audited bodies will be required to adopt the principle of sustainable development from April 2016, and the draft Local Government (Wales) Bill proposes fewer councils and a renewed performance framework. The Minister for Public Services has publicly stated that he would like to see a refreshed audit regime in advance of the legislative timetable with a view to supporting change. In January this year the minister advised me of a substantial reduction in the grant that subsidises my local government performance audit work under the Measure.
22. However, for 2016-17 the Measure will still be in place, and I will still need to examine whether authorities will meet their duty to make arrangements for continuous improvement. The challenge for me in these uncertain times is to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments.
23. In spring 2016 I will be engaging in a consultation with public service bodies on how I can best discharge my various duties whilst striking the most appropriate balance and adding value by:
 - providing assurance on the governance and stewardship of public money and assets;
 - offering insight on the extent to which resources are used wisely in meeting people's needs; and
 - identifying and promoting ways by which the provision of public services may be improved.
24. Taking all these factors into consideration, I am presently unable to be specific about my programme of performance audit work in local government. I am working through the practicalities of designing an appropriate programme of work, and examining the implications of the reduction in grant funding with a view to ensuring, as far as I am able, that there is little adverse impact on local authorities through fees.
25. As soon as practical, I will write to confirm my 2016-17 programme of work.

26. The performance audit projects included in last year's Audit Plan, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 2](#).

Fee, audit team and timetable

Fee

27. The Wales Audit Office does not generate profits on fees. Legislation requires that the fees charged may not exceed the full cost of exercising the function to which the fee relates. The fee rates are set at a level to recover that full cost. My fee rates have been held static for 2016 and my audit teams will continue to look for efficiencies in their audits and welcome working with you constructively on this.
28. Your estimated fee for 2016 is set out in [Exhibit 4](#). The audit fee has been kept at the same level as last year in line with the Wales Audit Office fee setting policy.

Exhibit 4: Audit fee

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Financial audit work¹	176,068	176,068
Performance audit work:²		
• Improvement audit and assessment work and follow-up	103,300	103,292
Total fee	279,368	279,360
Grant certification work³	£42,500 - £47,500	43,300

Notes:

¹ Payable November 2015 to October 2016.

² Payable April 2015 to March 2016.

³ Payable as work is undertaken

29. Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.
30. Further information on my fee scales and fee setting can be found on the Wales Audit Office website at: www.audit.wales/about-us/fee-scales-and-fee-setting.

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you.

Audit team

31. The main members of my team, together with their contact details, are summarised in Exhibit 5.

Exhibit 5: My team

Name	Role	Contact number	E-mail address
Ann-Marie Harkin	Engagement Director and Financial Audit Engagement Lead	029 20 320562	ann-marie.harkin@audit.wales
Terry Lewis	Financial Audit Manager	02920 320641	terry.lewis@audit.wales
Anthony Ford	Financial Audit Team Leader	02920 320500	anthony.ford@audit.wales
Alan Morris	Performance Audit Engagement Lead	01244 525900	alan.morris@audit.wales
Non Jenkins	Performance Audit Manager	02920 320595	non.jenkins@audit.wales
David Wilson	Performance Audit Lead	02920 320500	david.wilson@audit.wales

32. I can confirm that my team members are all independent of the Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

33. I will provide reports, or other outputs as agreed, to the Council covering the areas of work identified in this document. My key milestones are set out in [Exhibit 6](#).

Exhibit 6: Timetable

Planned output	Work undertaken	Report finalised
2016 Audit Plan	December 2015 – February 2016	March 2016
Financial accounts work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on Financial Statements• Financial Accounts Memorandum	February – September 2016	September 2016 September 2016 October 2016
Performance work: I am presently unable to be specific about my programme of performance audit work in local government	April 2016 – March 2017	As soon as practical, I will write to confirm my 2016-17 programme of work
2017 Audit Plan	October – December 2017	January 2017

* Subject to timely clearance of draft findings with the Council.

Future developments to my audit work

34. The Well-being of Future Generations (Wales) Act 2015 (the Act) requires me to have undertaken an examination in each of the public bodies specified within the Act and to have provided a report to the National Assembly, by 2020.
35. As referred to in [paragraph 22](#), I will be consulting on my proposed response to the Act in spring 2016. This consultation will feature a commitment to engage and work collaboratively with public bodies in developing an audit approach which is rigorous, meaningful and proportionate. I propose using 2016-17 as a transition year during which my teams work with a limited number of public bodies to develop and test my approach.
36. As we confirm our audit approaches and respond to continuing consultation from the Welsh Government, we will be talking to audited bodies about the implications for their fees from 2017-18 onwards and will be exploring alternative funding models with the next National Assembly's Finance Committee.

Appendix 1

Respective responsibilities

Financial audit

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- Their 'truth and fairness', providing assurance that they:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with the statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- The consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- the Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect the Council's financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the Council from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Performance audit

The Measure places a general duty on improvement authorities to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. The Auditor General must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in his published annual improvement report (under section 24). This will also summarise any reports of special inspections.

Appendix 2

Performance work in last year's audit outline still in progress

Performance audit project	Status	Comment
Financial resilience assessment	Reporting	Final Report issued.
Performance Management	Fieldwork complete	Report is being drafted.
Governance review	Fieldwork complete	Report is being drafted
Human Resources	Fieldwork in April 2016	Report to be drafted in May 2016.
Information Technology	Fieldwork in April 2016	Report to be drafted in May 2016.
Annual improvement report	Drafting	This will be issued to the Council May/June.

Appendix 3

National value-for-money studies

The Council may also be interested in the national value-for-money examinations which I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are funded by the National Assembly. Reports are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure and potentially support scrutiny by other National Assembly committees.

The table below covers all of the value-for-money studies work currently programmed. The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. In addition to the work outlined below, I may decide during the year to prepare other national reports summarising local audit work or based on the findings of reactive examinations.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

Topic	Anticipated publication timeframe
Welsh Government acquisition and ownership of Cardiff Airport	Late January 2016
The development of Natural Resources Wales	Early February 2016
Operating theatres	February 2016
Impact of private practice on NHS provision	February 2016
Wales Life Sciences Investment Fund	March 2016
Welsh Government responses to audit recommendations (memorandum for the Public Accounts Committee)	Spring 2016
Coastal flood and erosion risk management	Spring 2016
Rail services	Spring 2016
Governance of the National Library of Wales	Spring 2016
Welsh Government oversight of further education institutions' finances and delivery	Autumn 2016
Public procurement (including development of the National Procurement Service)	Winter 2016

Topic	Anticipated publication timeframe
Early intervention and behaviour change	Spring/summer 2017 ²
Welsh Government interventions in local government	TBC ³

I have been considering over recent months the inclusion in my programme of a number of new studies on:

- The NHS Wales Informatics Service
- Capital investment in schools (21st Century schools programme) and school places
- Further education finances
- Waste management
- The Supporting People programme
- Access to public services for people whose first language may not be English or Welsh and those who may be disadvantaged without access to specialist interpretation services

With the exception of the further education study, referred to in the table above, firm plans for these new studies are yet to be confirmed, although initial scoping work is underway.

² My programme of good practice work includes a project that will aim to explore the range of behaviour change work across Welsh public services and opportunities to improve practice, deliver better outcomes for citizens, and achieve better value for money. The project will include a range of engagement events and the development of a community of practice to share learning and experience. I anticipate that the information and evidence gathered through this work will support the production of a report on this topic, although this is unlikely to be a traditional audit report and it would not be prepared until the first half of 2017.

³ Plans for this work have been under review in light of the Welsh Government commissioned review of the Anglesey intervention by the Public Policy Institute for Wales, and also to consider the implications for the work of plans for local government reform.

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SUBJECT:	EARLY DEPARTURES AND VACANT POSTS
MEETING:	Audit Committee
DATE:	21st April 2016
DIVISION/WARDS AFFECTED:	Countywide

1. PURPOSE:

- 1.1 To provide Audit Committee members with supplementary information on early departures and vacant posts in response to queries previously raised by the Committee.

2. RECOMMENDATIONS:

- 2.1 That Audit Committee receive supplementary information on early departures and vacant posts.

3. KEY ISSUES:

- 3.1 Audit 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.
- 3.2 Subsequent to the information provided, Audit Committee members requested further information relating to early departures and vacant posts. A report was presented to Audit Committee members at their meeting on the 23rd September 2015. Members requested further information that illustrated the salary bands of those staff affected by early departures. This information was supplied on to Audit Committee members in January 2016. This information is attached per appendix 2 for Members reference.
- 3.3 Members discussed the supplementary information provided at the Audit Committee meeting dated 3rd March. Some further information was requested to satisfy members on the information previously provided. This report looks to respond to these questions.

Vacant Posts

- 3.3 In the paper dated 23 September 2015 statements were made that some posts had been held vacant to offset in-year budget pressures. Committee members were unable to ascertain how many posts were being held vacant as the accompanying figures indicated that vacancies were mainly described as vacant pending advertisement and selection.

- 3.4 It is correct that the majority of posts were vacant pending advertisement and selection. However, there were 3 posts that were 'being held vacant currently to offset in-year budget pressures'. These are detailed below:

PROPERTY & FACILITIES MANAGEMENT	RFCECL	Education Cleaning & Hygiene Operative	01/04/2015	Is a current vacancy and post is built into 15-16 staffing budget. Is being used for in year pressures
PROPERTY & FACILITIES MANAGEMENT	RPC21	Senior Architect	10/05/2015	Is a current vacancy and post is built into 15-16 staffing budget. Is being used for in year pressures
WASTE AND STREET SERVICES	OPWS04	Senior Policy & Performance Officer	28/06/2015	In 15-16 manpower budget, however, used savings from employee leaving to assist the CYP £400k shortfall.

Early Departures

- 3.5 In the supplementary information provided to members in January 2016 (see appendix 2) Members were provided numbers for compulsory redundancies by salary band. Members wished to understand what proportion of employees were affected in each salary band.
- 3.6 Further context has been added to the tables provided per appendix 2 to show the proportion of employees affected by compulsory redundancies and which refers back to table 16.10 (Appendix 1 of the September report) by both Grade and Salary Band as shown below,

Table 1: Early Departures by Grade

Row Labels	Count	No's of staff in Grade	Proportion
Band A	1	164	0.61%
Band B	6	584	1.03%
Band C	4	523	0.76%
Band D	8	1014	0.79%
Band E	7	418	1.67%
Band F	6	296	2.03%
Band G	6	100	6.00%
Band H	4	80	5.00%
Band I	1	177	0.56%
Band J	4	77	5.19%
Band L	1	26	3.85%
Band M	3	8	37.50%

Teach MPS	3	197	1.52%
Teach UPS	19	511	3.72%
Grand Total	73	4175	1.75%

Table 2: Early Departures by Salary Band

Row Labels	Count of Salary Band	No's of staff in Salary Band	Proportion
£0 - £20,000	32	2,503	1.28%
£20,001 - £40,000	37	1,255	2.95%
£40,001 - £60,000	4	143	2.80%
Grand Total	73	3,901	1.87%

Note: table 2 excludes those on Teachers UPS which includes all the Heads, Deputies and Assistants in schools who are paid above the £60,000 threshold

3.5 The highest proportion of Early Departures is from Band M, this relates to 2 senior managers leaving in Operations as a result of the Waste and Grounds restructure and the redundancy of the Environmental Health Manager.

4. REASONS:

4.1 To provide Audit Committee members with up to date information on early departures and vacant posts.

5. RESOURCE IMPLICATIONS:

5.1 There are no resource implications directly arising as a result of this report.

6. SUSTAINABLE DEVELOPMENT AND EQUALITY IMPLICATIONS:

6.1 There are no sustainability or equality implications to be assessed.

7. SAFEGUARDING AND CORPORATE PARENTING IMPLICATIONS:

7.1 There are no safeguarding or corporate parenting implications to be considered.

8. CONSULTEES:

Chief Officer - Enterprise

9. BACKGROUND PAPERS:

Appendix 1 – Report to Audit Committee dated 23rd September 2015

Appendix 2 – Supplementary information provided in January 2016

10. AUTHOR:

Peter Davies – Head of Commercial and People Development

11. CONTACT DETAILS:

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SUBJECT: EARLY DEPARTURES AND VACANT POSTS

MEETING: Audit Committee

DATE: 23rd September 2015

DIVISION/WARDS AFFECTED: Countywide

1. PURPOSE:

- 1.1 To provide Audit Committee members with supplementary information on early departures and vacant posts in response to queries previously raised by the Committee.

2. RECOMMENDATIONS:

- 2.1 That Audit Committee receive supplementary information on early departures and vacant posts.

3. KEY ISSUES:

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

Early Departures

- 3.3 In relation to early departure information the Audit Committee would have seen sight of the Authority's draft 2014/15 Annual Accounts which contained disclosures around termination benefits, which result from early departures, and exit packages. For ease of reference these have been reproduced and are contained in appendix 1.
- 3.4 In order to put these disclosures into context an analysis has been undertaken such as to provide Audit Committee members with further information that outlines the reasons for the redundancies. Table 1 below provides a summary of the early departures that took place in 2014-15.

3.5 Further to this and to assist Audit Committee members the following further explanations are provided:

Chief Executive's Unit

The table shows that 6 employees within the Chief Executive's Unit were in receipt of a redundancy payment for the previous financial year, two of which were externally funded via Welsh Government and the Department of Food, Environment and Rural Affairs. The remaining 4 were made compulsory redundant as a result of restructures in their relevant departments, Public Protection, One Stop Shop, Benefits and Policy and Communications.

Children and Young People Directorate (including) Schools

It is important to note that decisions made in schools are made by the Staff Dismissal Committee (which is made up of 3 members of the Governing Body) following receipt of a report compiled by the Head Teacher and its associated recommendations.

34 of the 37 employees fall into this category, 28 of which are due to school restructuring exercises. This can be further analysed with 17 of those staff presenting themselves for volunteer redundancy and the remainder being made compulsory redundant.

Within the CYP directorate members made the decision to withdraw support for the School Library Provision which resulted in 4 members of staff being made redundant. The remaining 4 were contractually entitled to receive a redundancy payment at the end of their temporary contract as they had over two years' service with the Council.

Directorate / Reason	Employees
CEO	6
Compulsory - loss of WG grant	1
Compulsory following Restructure	2
DEFRA funding removed compulsory	1
Volunteer following Restructure	2
CYP	37
Compulsory Ending of Temporary Contract	4
Compulsory following Restructure	11
Settlement agreement paid following Work Related Ill Health	1
Volunteer following Restructure	17
Compulsory following Restructure, Service withdrawn	4
ENT	15
Compulsory - loss of WG grant	8
Compulsory following Restructure	6
Compulsory end of Funding	1
MCCSCH	2
Compulsory Ending of Temporary Contract	1
Volunteer following Restructure	1
OPS	17
Compulsory following Restructure	4
Volunteer following Restructure	13
Grand Total	77

Enterprise Directorate

The largest numbers of staff made redundant in this directorate, 8, are in relation to the Adult Education section as a result of Coleg Gwent reviewing and withdrawing funding. One Project Officer working in Social Enterprise post was lost as external funding was no longer available. The remaining number, 6, were made redundant following restructure in the Leisure, Libraries and Museums area as part of the rationalisation of the service and the development of the Community Hub programme.

Operations Department

All 17 were made redundant as a result of restructures of Waste and Street Services, Highways and Flood Management and Transport.

- 3.6 Members will be aware that all restructures would have been reported to Cabinet for approval.

Vacant Posts

- 3.7 Vacant post data has been compiled through joint work that has been undertaken by People Services and Finance. Members have previously requested that clarification is given on the number of vacant posts and reassurances that post are not being simply held vacant within departments.
- 3.8 Though reassurances have been provided previously to Audit Committee by officers the information that has been captured illustrates that there are 33 vacant posts as at September 2015. Further analysis shows vacant posts as either:
- (a) Being held vacant currently to offset in-year budget pressures; or
 - (b) The post is due to be or is being advertised or going through recruitment/selection; or
 - (c) The post is to be deleted as part of future restructure/savings proposals
- 3.8 The complete breakdown is provided for members to scrutinise in appendix 2.
- 3.9 It should be noted that work is ongoing with the Authority's HR and Payroll system provider to automate reports that will provide vacant post data such as to avoid the current laborious manual exercise that involves colleagues in People Services and Finance. The current process requires a reconciliation of budgeted staff establishment with the actual employee establishment held on the HR and Payroll system.
- 3.10 One further step has been taken to ease the reconciliation concerns the amendment of the electronic termination form to include the following mandatory question, 'is this post to be deleted from the Establishment?' This allows members of payroll to terminate an employee from the HR and Payroll system to at the same time that a post is being removed from the budget establishment.

4. REASONS:

- 4.1 To provide Audit Committee members with up to date information on early departures and vacant posts.

5. RESOURCE IMPLICATIONS:

- 5.1 There are no resource implications directly arising as a result of this report. However, as reported in the draft 2014-15 annual accounts, termination benefits in the form of redundancy payments amounted to £1,146,000 (£668,000 in 2013-14). The Authority also paid enhancements relating to pensions amounting to £595,000 (£264,000 in 2013-14) though this will be paid to the pension fund over a 5 year period.
- 5.2 The significant level of redundancy costs are a direct consequence of the significant changes resulting from the reshaping of services required to allow the Authority to manage within a reduced funding environment.
- 5.2 In terms of vacant posts there are instances where posts are being held open to assist in offsetting in-year budget pressures or will be deleted as part of future restructure and savings proposals being taken forward.

6. SUSTAINABLE DEVELOPMENT AND EQUALITY IMPLICATIONS:

- 6.1 This report is not a decision making report and is only providing information to Audit Committee members. There are no sustainability or equality implications to be assessed. Such implications would have been considered as part of any decisions to affect staff changes as a result of restructuring etc.

7. SAFEGUARDING AND CORPORATE PARENTING IMPLICATIONS:

- 7.1 This report is not a decision making report and is only providing information to Audit Committee members. There are no safeguarding or corporate parenting implications to be considered.

8. CONSULTEES:

Chief Officer - Enterprise

9. BACKGROUND PAPERS:

Appendix 1 – Draft Annual Accounts extracts – Termination benefits and exit packages
Appendix 2 – Vacant post data

10. AUTHOR:

Peter Davies – Head of Commercial and People Development

11. CONTACT DETAILS:

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16.10 Termination Benefits

The Authority terminated the contracts of a number of employees in 2014/15, incurring liabilities of £1,146,000 (£668,000 in 2013/14) for redundancy payments. None of these costs related to Directors or Chief Officers. This total relates to employees who were made redundant as a result of the Authority's ongoing rationalisation of services and is split as follows:

Directorate	Number of Employees		Redundancy Costs	
	2014-15	2013-14 (Restated)	£000 2014-15	£000 2013-14 (Restated)
Chief Executive's Unit	6	3	108	70
Children and Young People	39	54	474	541
Enterprise	13	12	157	112
Operations	15	3	407	23
Social Care and Health	0	2	0	20
Adjustment for Redundancy Provision not made	0	1	0	(97)
	<u>73</u>	<u>75</u>	<u>1,146</u>	<u>668</u>

In addition, the Authority has paid for enhancements to pensions, relating to redundancies which occurred in 2014/15. The total agreed sum was £595,000 (£264,000 in 2013/14), although this will be paid in instalments over a five year period. This includes an additional 4 employees who did not receive any termination benefit, but did receive pension enhancement.

The redundancy costs arising within the Children & Young People's directorate principally related to the costs of school based redundancies which are required to be met by the LEA.

16.11 Exit Packages

The numbers of exit packages together with the total cost per band and the total cost of the compulsory and other redundancies are set out in the table below:

Exit Package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
							£000	£000
£0 - £20,000	41	55	0	2	41	57	278	289
£20,001 - £40,000	22	13	0	1	22	14	552	365
£40,001 - £60,000	6	4	0	0	6	4	273	211
£60,001 - £80,000	6	1	0	0	6	1	423	67
£80,001 - £100,000	1	0	0	0	1	0	98	0
£100,001 - £150,000	1	0	0	0	1	0	116	0
Total	77	73	0	3	77	76	1,740	932

VACANT POST DATA – SEPTEMBER 2015

SOCIAL CARE & HEALTH

Division	Department	Post ID	Job Title	Previous post holder leave date	Comment
ADULT SERVICES	DIRECT CARE	SAS190	Driver/Porter	22/03/2015	Post restructure as part of pooled budget with Health Board to create capacity for portering services; post due to be advertised
		SAS194A	Senior Occupational Therapist	05/04/2015	Currently vacant, not part of the Council budget, subject to invest to save Frailty initiative, post has been advertised and will be re-advertised
		SAS303	CATERING ASSISTANT	10/04/2015	The post is due to be or is being advertised or going through recruitment/selection
		SAS349	Gardener/Handyman	26/06/2015	Vacant until decision made on shape of role
CHILDRENS SERVICES	FAMILY RESOURCE TEAM	SCS219	Salaried Carer	05/11/2013	Currently vacant but waiting outcome from Head of Service as service has closed
	SUPPORTING CHILDREN & YOUNG PEOPLE	SCS075	Business Support Administrator	04/06/2015	The post is due to be or is being advertised or going through recruitment/selection
		SCS270	Safeguarding & Quality Assurance Officer	18/05/2013	The post is due to be or is being advertised or going through recruitment/selection
	YOUTH OFFENDING TEAM	SCS261	Education, Training & Employment Integrat	10/02/2015	Vacant but proposal for deletion to realign budgets

COUNT = 8

CHILDREN & YOUNG PEOPLE (INCLUDING SCHOOLS)

Division	Department	School	Post ID	Job Title	Previous post holder leave date	Comment
ACHIEVEMENT AND LEARNING INFRASTRUCTURE	YOUTH SERVICE		LYW079	14-19 Transition Worker		The post is due to be or is being advertised or going through recruitment/selection
SCHOOLS	PRIMARY SCHOOLS	Rogiet	L21641012	Midday supervisor	31/03/2015	The post is due to be or is being advertised or going through recruitment/selection
		Shirenewton	L22991033	Cleaner	17/04/2015	The post is due to be or is being advertised or going through recruitment/selection
		YSGOL GYMRAEG Y FFIN	L23180003	Deputy Headteacher	31/12/2012	new position curenly being filled on a secondment basis prior to being made permanent
		LLANFAIR KILGEDDIN PRIMARY	L30050001	Headteacher	31/01/2013	Leave for time being - school merged with Usk
		LLANFAIR KILGEDDIN PRIMARY	L30050008	Acting Headteacher	12/04/2015	Leave for time being - school merged with Usk
	SECONDARY SCHOOLS	MONMOUTH COMPREHENSIVE	L40601141	Exam Invigilator	15/06/2015	Casual post, not permanent, filled on an as and when basis to cover examinations.
		MONMOUTH COMPREHENSIVE	L40601248	Healthcare Support Assistant	31/03/2015	The post is due to be or is being advertised or going through recruitment/selection
		KING HENRY COMPREHENSIVE	L40640085	Teacher	12/04/2015	Post holder seconded to Asst Head post, post held as a substantive post for post holder to revert back into

COUNT = 9

ENTERPRISE, OPERATIONS AND CHIEF EXECUTIVE'S UNIT

Directorate	Division	Department	Post ID	Job Title	Previous post holder leave date	Comment
ENTERPRISE	COMMUNITY LED DELIVERY	ESTATES & SUSTAINABILITY	RET04	Graduate Surveyor	03/04/2014	Is a current vacancy and post is built into 15-16 staffing budget. Going out for recruitment during 15-16
		LIBRARIES MUSEUMS & ARTS	LLL1007	Duty Assistant	28/02/2015	Current vacancy and built into 15-16 staffing budget - should be filled but looking at maybe taking on someone part time
			LPSTA01	Primary School Swimming Instruc Level 1	06/07/2015	Is a current vacancy and post is built into 15-16 Staffing budget
LEADERSHIP SUPPORT UNIT	DEMOCRACY & REGULATORY SERVICES	DEVELOPMENT & BUILDING CONTROL	RDC35	Landscape Officer (Assistant)		The post is due to be or is being advertised or going through recruitment/selection
		LEGAL SERVICES	CDLL 38	Assistant Solicitor	25/05/2015	The post is due to be or is being advertised or going through recruitment/selection
		PUBLIC PROTECTION	REHT05	Student Environmental Health Officer	30/04/2015	Is a current vacancy - not built into manpower as post is unpaid.
			REHT06	Enviromental Health Support Assistant	30/04/2015	The post is due to be or is being advertised or going through recruitment/selection
	FINANCE	INTERNAL AUDIT	RAD14	Principal Auditor	15/02/2015	The post is due to be or is being advertised or going through recruitment/selection
	OPERATIONS	CUSTOMER ACCESS	SAM060	Administrative Assistant	03/07/2015	Forms part of new Hubs structure so assume will be required. Will be filled soon
		HIGHWAYS AND FLOOD MANAGEMENT	ROHT13	Assistant Engineer (Development)	28/02/2015	Is a current vacancy and post is built into 15-16 staffing budget - will be filled.
			ROHT27	Abnormal Loads/TMA Officer	29/03/2015	The post is due to be or is being advertised or going through recruitment/selection
		PROPERTY & FACILITIES MANAGEMENT	RFCECL	Education Cleaning & Hygiene Operative	01/04/2015	Is a current vacancy and post is built into 15-16 staffing budget. Is being used for in year pressures
			RPC21	Senior Architect	10/05/2015	Is a current vacancy and post is built into 15-16 staffing budget. Is being used for in year pressures
TRANSPORT		ROTR12	Schools Transport Procurement Officer	31/12/2014	Part of Transport restructure - will be filled	

		ROTR22	Compliance Grants & Finance Officer		Part of Transport restructure - will be filled
	WASTE AND STREET SERVICES	OPWS04	Senior Policy & Performance Officer	28/06/2015	In 15-16 manpower budget, however, used savings from employee leaving to assist the CYP £400k shortfall.

COUNT = 16

GRAND TOTAL = 33

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SUBJECT: Response to Unsatisfactory Audit Opinion of Passenger Transport Unit from Audit Committee meeting on 22nd October 2015.

MEETING: Audit Committee

DATE: 21st April 2016

DIVISION/WARDS AFFECTED: All

1, PURPOSE:

To provide information to members of the audit committee on the steps taken to address the Unsatisfactory Audit opinion of Passenger Transport Unit following a verbal response at Audit Committee meeting held on 14th January 2016.

2. RECOMMENDATIONS:

a). That the committee note the report and its contents.

3. KEY ISSUES :

The report highlighted the following areas of concern within the audit report The response to these issues is detailed below each point.

- Vehicle procurement was not openly advertised as required prior to the selection process taking place;

Response: This is now advertised via Sell to Wales although it has meant a large reduction in interested parties who will not go through the process of signing up due to timescales and complexity We also have a member of staff doing procurement examinations to become fully qualified so that we comply with all regulations moving forward.

- The process for selecting successful suppliers of used vehicles was not open and transparent;

Response: We have a matrix in place for doing this but this is proving to be complex and it can mean that we may not get the vehicle we want as discussed with audit , example a 61 plate at 100K may score better than a 13 plate at £150K on price but not quality but because price difference is wide the % need to be correct . as we are not comparing like for like this will work on new vehicles but for second use vehicles as you are not comparing like for like it is not so easy to achieve the right balance.

- Mechanical inspections of second hand vehicles were not adequately evidenced prior to purchase;

Response: This will be evidenced as part of the matrix when evaluation takes place.

- It was unclear during the review if the use of external maintenance (for some maintenance) was a cost effective solution for the Authority.

Response: We have for a long time stated that we would like to bring maintenance in house but we don't have the facilities to do this so to comply with traffic commissioner regulations and DVSA we have to get this done externally We would welcome a new depot facility but it is not proving to be easy to find at an affordable cost to be sustainable.

- A maintenance contract (above EU Procurement thresholds) was signed without any tender process taking place;

Response: The contract was an extension of a previous contract and was signed to conform with DVSA & Traffic Commissioner requirements. The tender for this would not be over EU threshold as we could only tender for the known elements such as inspections the auditor added on the spare parts and maintenance work undertaken over the period. We have discussed this with procurement and are working on a suitable tender document for this to be tendered for the known elements in the future.

- One vehicle was identified which was not serviced within the required timeframe but remained operational;

Response: This was a vehicle that had been presented to Raglan for its inspection but for some reason had not been inspected and was subsequently given back to us to use, this was a permit vehicle and not part of our Operators licence. We have put new checking systems in place for this as transport hold the records on these we have now requested that a copy of the inspection report is given to us when these have been completed.

- There was no system in place to actively monitor individual vehicle maintenance costs to inform future budgetary and vehicle replacement decisions;

Response: We had costs identified on a gross basis but these were not sufficient so we have now put in place a system to monitor these costs per vehicle Also had an independent audit carried out on all maintenance items by LLOYD Morgan Group and passed with 100% compliance.

- Information could not be provided on a sample of private hire bookings selected as information relating to those bookings had not been retained;

Response: Some of the samples asked for were not private hire bookings they were for buses used on training, also as explained to the auditor not all bookings would have e-mail trails as they may be made by phone or by word of mouth it was also a period where we had a temporary member of staff in place covering maternity leave so when the full time member of staff returned she deleted some of the e-mails as they had been dealt with, we said we would get these back from SRS but the auditor said he would run another sample. All the samples were on our system that were private hires for him to run the sample but he wanted the initial e-mails and as explained this may not have been possible.

- 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;

Response:The auditor was given the costings and how they were worked out with the percentages added he wanted them broken down further which we have now done we have a pricing matrix in place that does this that any member of staff can use. The inaccuracies mentioned were actually different percentages of profit earned which will be the case in different circumstances, we obviously have a minimum but for local jobs this would not realise the full potential of the commercial costings as some costs will be smaller generating a higher % profit.

- 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;

Response:The terms and conditions were being given to the clients via a link to the website on the confirmation letters sent out , we do collect private payments now before the job takes place we cannot do this for all bookings such as schools outside the authority or self drive hires

- 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;

Response:This has been addressed within the MTFP and cuts that had been implemented on the budget for SEN schools and not realised , Cuts to WG grants and a very large increase in projected income that was not achievable have been re addressed a lot of the spend on the budget is outside our control and decided by pupil numbers and circumstances.

- High levels of debt continue to exist with private hire bookings.

Response:This has been addressed and a lot of the debt has been found in unallocated income unfortunately when payments are made by other authorities or organisations we don't have the remittance advices and payments to check these , they can be lumped together in unallocated income Current debt levels are much lower and for 14/15 is about £5k all our invoicing is now done through sundry debtors.

4. REASONS:

This report is for information and is a follow up to the verbal update given at the Audit Committee Meeting on 14th January 2016.

5. RESOURCE IMPLICATIONS:

None as part of this report

6. SUSTAINABLE DEVELOPMENT AND EQUALITY IMPLICATIONS:

None as part of this report.

7. CONSULTEES:

Chief Internal Auditor
Internal Audit Department
Head of Operations.
Head of Finance.

8. BACKGROUND PAPERS: None

9. AUTHOR: Richard Cope

10. CONTACT DETAILS:

[Tel:01633 644745](tel:01633644745)

E-mail:richardcope@monmouthshire.gov.uk



**SUBJECT: AUDIT COMMITTEE
 ANNUAL REPORT 2015/16
 ANNUAL REPORT 2014/15**

**DIRECTORATE: Chief Executive's
MEETING: Audit Committee
DATE: April 2016
DIVISION/WARDS AFFECTED: All**

DRAFT 03

1. PURPOSE

To present the Chair of the Council's Audit Committee's Annual Report for 2015/16 and 2014/15.

2. RECOMMENDATION(S)

That the report be noted

3. KEY ISSUES

4. REASONS

- 4.1 The Council's Audit Committee has responsibility for ensuring that there are procedures in place to guarantee the adequacy and effectiveness of financial control and corporate governance arrangements.

The terms of reference are:

- To review and scrutinize the authority's financial affairs
- To make reports and recommendations in relation to the authority's financial affairs
- To review and assess the risk management, internal control and corporate governance arrangements of the authority
- To make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements
- To oversee the authority's internal and external audit arrangements
- To review the financial statements prepared by the authority

4.2 The Committee consists of 11 councillors and includes one lay member (co-opted) who is not a councillor. The Lay member is the Chair of the Audit Committee. The Committee's main responsibilities include:

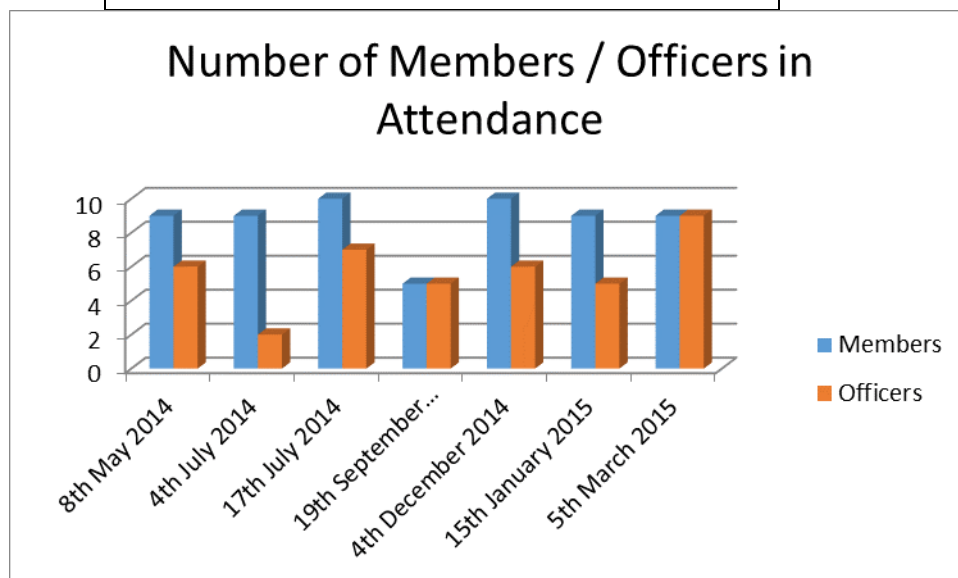
- Approving the internal audit strategy, plan & performance
- Review internal audit reports and seek assurances of change where required
- Consider the reports of external audit and inspection agencies
- Consider the effectiveness of the authority's risk management arrangements
- Maintain an overview of the Council's Constitution in respect of contract procedure rules and financial regulations
- Make recommendations, as appropriate, to Cabinet and Council on any matters reported through the Audit Committee.

4.3 The terms and conditions of the Audit Committee are set out in the Council's Constitution amended and agreed by Council in September 2014 which are in accordance with the Local Government (Wales) Measure (2011).

4.4 The Audit Committee is supported by Democratic Services with the Head of Finance, Chief Internal Auditor and External Audit in attendance at all meetings. During 2014/15 the Council's Audit Committee formally met 7 times, with all meetings being quorate.

2014/15

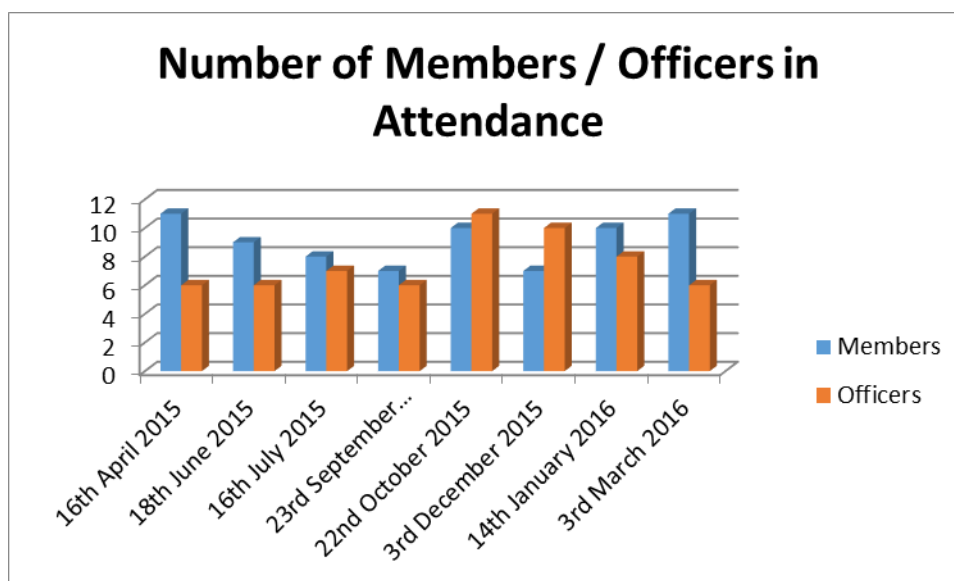
Audit Committee meetings 2014/15
8 th May 2014
4 th July 2014
17 th July 2014
19 th September 2014
4 th December 2014
15 th January 2015
5 th March 2015



- 4.5 Regular reports were received and endorsed by the Audit Committee throughout the year. All Members contributed to the challenge process where officers were held to account for improving identified systems weakness. Members contributed positively to the process and took the responsibility of being on the Audit Committee seriously.
- 4.6 During 2015/16 the Council's Audit Committee formally met 8 times, with all meetings being quorate.

2015/16

Audit Committee meetings 2015/16
16 th April 2015
18 th June 2015
16 th July 2015
23 rd September 2015
22 nd October 2015
3 rd December 2015
14 th January 2016
3 rd March 2016



- 4.7 A standard agenda item for the Audit Committee is an Action List, where named officers are responsible for updating the Committee on previous matters discussed or questions raised. This ensures appropriate responses are received and accepted by the Committee on issues they felt were important enough to challenge and holds officers to account.

To oversee the Authority's internal and external audit arrangements

- 4.8 Reports were received and noted from the external audit, the Wales Audit Office (WAO) including Audit Fees, Financial Audit Outlines, Assessment of MCC Performance, Certificate of Compliance 2014/15 (July 2015), Performance work and fees 2014/15, MCC / WAO Joint progress report 2012/13, ISA 260, Progress against WAO Proposals for Improvement, Review of Whistleblowing, Annual Audit Letter 2013/14 (December 2014), Financial Position Assessment, Managing Early Departures Across Public Bodies in Wales (April 2015), Certification of Grants and Returns 2013/14 (April 2015), Financial Resilience of Councils in Wales (June 2015), Review of the Shared Resource Service (July 2015), Improvement Plan Audit (July 2015), SRS Strategy Report and update on WAO recommendations (October 2015), MCC / WAO Joint Progress 2014/15 (December 2015), Annual Audit letter 2014/15 (December 2015), Wellbeing of Future Generations Act - WAO commentary on our preparedness (December 2015), Wales Audit Office - Certification of Grants and Returns 2014-15 (March 2016),
- 4.9 The Internal Audit Outturn reports and the annual plans were presented to and endorsed by the Committee. Members challenged the performance of the Internal Audit Team and robustness of the planned work in order to satisfy themselves that they were being provided with adequate assurances on the adequacy of the Council's internal control environment and that public money was being used effectively, efficiently and economically.
- 4.10 Quarterly progress reports on the performance of the Internal Audit Team and the audit opinions issued were presented to the Committee regularly by the Chief internal Auditor. Members have challenged the data and performance provided to ensure continual improvement.

To review and assess the risk management, internal control and corporate governance arrangements of the Authority

- 4.11 Partnership and Collaboration Audit reports were received from the Policy and Partnership team (May 2014 and July 2014) which clarified the governance arrangements of the Council's partnership arrangements. This tied in with the Committee receiving and endorsing the Code of Corporate Governance as the framework for the Council's governance arrangements. The Committee also continued to have an opportunity to comment on and shape the Annual Governance Statement before it is presented with the Annual Statement of Accounts (draft April 2015).
- 4.12 A report on the Whole Authority Complaints 2013/14 was considered and accepted in January 2015. A report on the Whole Authority Complaints 2014/15 was considered and accepted in October 2015.
- 4.13 Information Governance, Management and Security arrangements were considered by the Committee in March 2015 following a presentation from the Digital and Technology Manager.

- 4.14 An overview of the Council's Performance Management arrangements were presented to the Committee by the Head of Policy and Engagement in March 2015. Members received a presentation from the Policy and Performance Officer to provide an update on the effectiveness of the Authority's performance management arrangements in December 2015.
- 4.15 The Policy and Performance Manager introduced the published Annual Improvement Report 2014-15, incorporating the Corporate Assessment to the Committee in January 2016.
- 4.16 The Chief Internal Auditor presented six monthly progress reports on previously issued unsatisfactory audit opinions. The intention of these reports was to provide assurance to the Committee that previously identified system weaknesses had been appropriately addressed and improvements made by the operational manager. Where unsatisfactory, or very little progress had been made by the operational manager then the Committee, via the Chairman, invited that operational manager and relevant Head of Service to attend Audit Committee where Members held them to account for future improvements.
- 4.17 During 2014/15 and 2015/16 operational managers were invited to attend Audit Committee which gave Members the opportunity to challenge why significant action had not been taken following the initial audit report and secure a commitment for future improvements.
- 4.18 Following concerns raised in the Internal Audit report and an unfavourable audit opinion, the Headteacher and Chair of Governors of Chepstow School were invited to attend Audit Committee. They presented how they were addressing the issues raised and were subject to robust challenge by Members in June 2015.
- 4.19 Members requested an update from the Council's Strategic Procurement Manager following concerns raised in the Internal Audit report in October 2015. The Strategic Procurement Manager attended December 2015 Audit Committee and provided an update on progress against internal audit recommendations. Members raised further questions and held the officer accountable for future improvements.
- 4.20 The Committee welcomed the Passenger Transport Unit Manager in January 2016, who had been invited to present to the Committee, following concerns expressed by Members regarding an unsatisfactory audit opinion, relating to areas within the service. The Committee were reassured that actions were being taken to address the unsatisfactory audit opinions within the Passenger Transport Unit. The Passenger Transport Unit Manager advised the Committee of the steps taken in each area. Members were invited to comment.
- 4.21 The Head of Adult Services attended the Committee in March 2016 following concerns raised in previous Internal Audit reports regarding Monmouthshire Enterprises. Assurance was given that the

recommendations had been addressed and that service provision had improved.

- 4.22 The Audit Committee also received a six monthly update from the Chief Internal Auditor on any exemptions from the Council's Contract Procedure Rules. The Contract Procedure Rules exist to ensure that the Authority operates a fair, consistent and effective procurement policy to procure works, goods and services on behalf of the Council and to minimise allegations of fraud and corruption against managers. Although exemptions are permissible, Members were given the opportunity to challenge officers where they felt the reasons given were not justifiable.
- 4.23 In July 2014, the Manager of the Passenger Transport Unit was invited to attend Audit Committee due to the numerous exemptions requested and the then Head of Innovation was requested to provide further information on the governance structure for the engagement of consultants. A response re the Procurement of Consultancy Services was presented to the Committee in December 2014. The Passenger Transport Unit Manager presented a case study to the Committee in June 2015 re the purchase of used vehicles for use within the PTU through a fair and objective process.
- 4.24 In July 2015, the Committee welcome questions from a member of the public re Chepstow School challenging comments made by the School's management when they attended a previous Audit Committee meeting. Members agreed that the questions would be investigated further and appropriate responses provided through the Audit Committee.
- 4.25 The Chief Officer for Enterprise presented a draft Income Generation Strategy to the Committee in September 2015. Members were recommended to consider any comments or changes on the draft Income Generation Strategy before Cabinet considered the strategy.
- 4.26 The Head of People and Commercial Development presented a report in September 2015 to provide Audit Committee Members with supplementary information on early departures and vacant posts in response to queries previously raised by the Committee.
- 4.27 Members received a report from the Policy and Performance Officer to provide Audit Committee with an update on the Authority's progress against the Wales Audit Office (WAO) proposals for improvement up to the end of October 2015 (December 2015).
- 4.28 In January 2016 the Committee received a report from the Scrutiny Manager to present the Scrutiny Service Plan 2015-2018 (updated for Quarter 2) in order for Members to monitor the performance of the function and assess the fitness of purpose of the Council's Scrutiny arrangements. Members questioned and challenged the Scrutiny Manager around the robustness of the process and welcomed a positive response.

To review the financial statements prepared by the Authority

- 4.29 The Committee is asked to consider the Council's Statement of Accounts prior to and following the external audit of them; the draft accounts are presented in July with the final in September. In addition the Committee receive the annual accounts of Monmouthshire County Council Welsh Church Act Fund, Monmouthshire Farm School Endowment Trust Fund, Llanelly Hill Social Welfare Centre Accounts.
- 4.30 Proposed changes to Accounts and Audit Regulations 2014 were presented to the Audit Committee by the Head of Finance in October 2015.
- 4.31 The Treasury Outturn Report 2013/14 was presented and noted by the Committee in July 2014 with a mid year Treasury Report for 2014/15 presented in December 2014. The Council's Treasury Management Advisors, ArlingClose Ltd, gave Members a presentation on Treasury management in June 2015 which helped support their understanding of the information they were being presented by Finance Officers.
- 4.32 The Treasury Outturn Report 2014/15 was presented and noted by the Committee in July 2015 with a mid year Treasury Report for 2015/16 presented in October 2015.
- 4.33 In March 2016 the Committee received a report in which Members were provided with details of the proposed annual Treasury Management Policy Statement and the Treasury Management Strategy Statement including the Investment and Borrowing Strategies for 2016/17 to 2019/20 and the Minimum Revenue Provision (MRP) Statement for 2016/17 for deliberation by the Committee in advance of Full Council consideration.
- 4.34 A Proposal to revise the Policy on Minimum Revenue Provision (MRP) for 2016/17 was presented to the Committee by the Assistant Head of Finance in December 2015. Members considered the proposal, challenged the officer and then formally voted on the recommendation within the report.

Self Assessment

- 4.35 The Audit Committee itself agreed to undertake a self assessment exercise led by WAO in March 2015 to gauge its effectiveness in line with good practice. This involved a workshop and a self assessment questionnaire which took place in April 2015; feedback was provided to the Committee in July 2015. The attached Appendix 1 'Audit Committee Self Assessment Workshop on 16 April 2015' summarises the recommendations made and the Committee's considered response.

5 RESOURCE IMPLICATIONS

5.1 None.

6 CONSULTEES

6.1 N/A

7 Results of Consultation:

7.1 N/A

8 BACKGROUND PAPERS

8.1 Audit Committee Minutes 2014/15 and 2015/16

9 AUTHORS AND CONTACT DETAILS

Philip White, Chairman, on behalf of the Audit Committee

Appendix 1

Audit Committee Self Assessment Workshop on 16 April 2015.

In the course of this review a number of proposals were made by those attending for improvements in the way the committee carries out its functions. The proposals were considered at the meeting of the Audit Committee held on 16 July. The committee's assessment of each proposal is given below.

- 1 Consider a pre-meeting among Members immediately prior to each Audit Committee.

The committee did not feel this was appropriate for a statutory committee as any discussions would not be made available to the public. Members can, however, request occasional meetings to discuss possible new agenda items and new business.

- 2 Obtain greater clarity on roles
- 3 Review the terms of reference in regard to the following:
 - a. What does 'scrutinise' actually mean in practice
 - b. Check requirements against the measure

In discussion, it was felt that an initial step would be to obtain training for Members on the role and function of the Audit Committee. This was organised via the Welsh Audit Office and took place on 10 November 2015.

- 4 Consider extending the Terms of Reference of the Audit Committee to allow the committee to invite feedback from Select Committees and subsequent scrutiny.

The Members of the Audit Committee felt that whilst it was appropriate for the committee to ask for the attendance of chairs or other members of Scrutiny Committees at meetings where concerns had been identified, this should not amount to a regular review of the activities of the other committees.

- 5 The Council should increase communication with the Chair so (as to make him) better aware of Council wide matters.

It was suggested that the Chairman could receive agendas for all Council meetings, and have the opportunity to attend any meetings, but it was noted that much of the relevant material is currently available from the MCC website, including live streaming of meetings.

- 6 The Committee should be held to account and an Annual Report should be produced to facilitate this.

Accepted. A report has been drafted for 2014/15 and 2015/16 combined.

- 7 Members should not be concerned about asking questions that may be considered as 'naive'.

Noted.

- 8 The Committee should consider holding occasional private meetings with the external auditors.

Accepted. The Committee may request briefings if the need arises.

- 9 Consider how the Audit Committee can help shape the programme of work of the external auditor.

Not accepted. The Committee Members considered it was proper for the external auditors to determine their own programme.

- 10 Assess the merits of appointing another lay member to the Committee.

The concern is that as the lay member of the Committee has been elected to be the Chair, his skills as an impartial adviser may not be being used to best effect. Council should consider whether they wish to appoint another lay member. Up to one third of the Committee could, in principle, be lay appointees.

- 11 Split the agendas into what is statutory, essential business and what is for noting etc.

Not considered practical as there is no overall editor who can make these judgements. Not considered in practice a significant issue.

- 12 Formalise the decision making arrangements, e.g., introduce a voting system.

Standing orders for Rules of Procedure already exist. The Chair will make use of them as appropriate.

- 13 Consider whether summary introductory papers should be consistently provided.

Accepted as good practice, but noted that this already happens in general.

- 14 Consider more detailed training on the Accounts to 'demystify' them.

The Committee members welcome opportunities to obtain further training, such as that proposed above on the role of the Audit Committee and a recent session on Treasury Management.

15 Undertake a skills audit on a regular basis.

Committee members will propose topics for further training, as appropriate.

16 Consider setting up sub-groups of Committee members to look at particular areas.

Committee Members noted that this was already possible but the Chair has been informed that secretarial support would not be available.

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Agenda Item 13

DRAFT

AUDIT COMMITTEE WORKPLAN 2016/17	
21ST APRIL 2016	
<i>Deadline for finalised reports to Cheryl –Tuesday 12th April - end of day</i>	
Annual Governance Statement, 2015/16	Andrew Wathan
Internal Audit Section, Operational Plan 2016/17 - Draft	Andrew Wathan
Internal Audit Section Progress report on Unsatisfactory/Unsound Audit Opinions	Andrew Wathan
2016 Audit Plan	WAO
Early Departures & vacant posts	Peter Davies
Issued raised by member of public regarding Chepstow School	Kellie Beirne
Response to Unsatisfactory Audit Opinion of Passenger Transport Unit from Audit Committee meeting on 22nd October 2015	Richard Cope
Audit Committee Annual Report 2015/16, Annual report 2014/15	Andrew Wathan
26TH MAY 2016	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section –</i>	
SUBJECT	AUTHOR
Annual Governance Statement - final	Andrew Wathan

Internal audit 2016/17 Plan - final	Andrew Wathan
Internal Annual audit report 2015/16	Andrew Wathan
Update on Special Investigations	Andrew Wathan
30TH JUNE 2016	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section-</i>	
2015/16 Treasury Outturn Report	Jon Davies/Lesley Russell
Draft MCC Accounts 2015/16	Mark Howcroft/Jon Davies
Draft Welsh Church Fund Trust Accounts 2015/16	Mark Howcroft/Jon Davies
Draft Llanelly Hill Social Welfare Centre, Trust Fund Accounts 2015/16	Mark Howcroft/Jon Davies
Draft Monmouthshire Farm School Trust Fund Accounts 2015/16	Mark Howcroft/Jon Davies
15TH SEPTEMBER 2016	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section</i>	
MCC Audited Accounts 2015/16 (formal approval)	WAO/Mark Howcroft/Jon Davies
ISA 260 report - MCC Accounts	WAO/Mark Howcroft/Jon Davies

6TH OCTOBER 2016	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section –</i>	
17TH NOVEMBER 2016	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section –</i>	
Audited Welsh Church Fund Trust Fund Accounts 2015/16	Mark Howcroft
Audited Monmouthshire Farm School Trust Fund Accounts 2015/16	Mark Howcroft
Audited Llanelly Hill Social Welfare Centre Trust Fund Accounts 2015/16	Mark Howcroft
ISA260 reports - Trust Funds	WAO
15TH DECEMBER 2016	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section –</i>	

<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section –</i>	

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SCHEDULE 12A LOCAL GOVERNMENT ACT 1972 EXEMPTION FROM DISCLOSURE OF DOCUMENTS

Meeting and Date of Meeting: Insert date and meeting
Report: Insert report title
Author: Insert author

I have considered grounds for exemption of information contained in the background paper for the report referred to above and make the following recommendation to the Proper Officer:-

Exemptions applying to the report:

Information relating to a particular individual as described in Paragraph (insert para no) of Part 4 of Schedule 12A to the Local Government Act 1972.

Factors in favour of disclosure:

Openness & transparency in matters concerned with the public

Prejudice which would result if the information were disclosed:

My view on the public interest test is as follows:

Factors in favour of disclosure are outweighed by those against.

Recommended decision on exemption from disclosure:

Maintain exemption from publication in relation to report

Date: 13.04.16

Signed:

Post: Chief Officer Enterprise

I accept/I do not accept the recommendation made above

Signed:

Proper Officer

Date: 13.04.16

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of the Local Government Act 1972.

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