

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 15th September, 2016 at 2.00 pm

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

County Councillors: D. Batrouni, P. Clarke, G. Down, A. Easson,  
D. Edwards, P. Murphy, B. Hayward, J. Prosser and B. Strong

#### **ALSO PRESENT:**

County Councillor V. Smith  
Terry Lewis – Wales Audit Office  
Non Jenkins – Wales Audit Office  
Alan Morris – Wales Audit Office

#### **OFFICERS IN ATTENDANCE:**

Matthew Gatehouse - Policy and Performance Manager  
Mark Howcroft - Assistant Head of Finance  
Joy Robson – Head of Finance  
Nicola Perry – Senior Democracy Officer  
Wendy Barnard – Democratic Services Officer  
Andrew Wathan – Chief Internal Auditor  
Peter Davies – Chief Officer for Resources

#### **APOLOGIES:**

Mr. P White and County Councillor P. Jordan

#### **1. People Services Annual Report & workforce plan**

The Chairman agreed to discuss this item at the beginning of the meeting. The Officer explained that an addendum to the report to provide information on redundancy costs was unavailable for consideration due to pressures within the Payroll Team. It was agreed that the item would be deferred until the next meeting. A Member queried if the proposed addendum would include a full breakdown of both voluntary and compulsory redundancies. The Officer explained that no distinction is drawn between voluntary and compulsory redundancy within the Council processes and offered to provide the Member with further information outside of the meeting.

#### **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.

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#### **4. To confirm minutes of the previous meeting**

The minutes of the meeting held on 30<sup>th</sup> June 2016 were confirmed and signed by the Chairman.

#### **5. To note the Action List from 30th June 2016**

We received the Action List from the meeting held on 26th May 2016. In doing so, the following points were noted:

- Further information is awaited to answer the issue raised by a member of the public regarding Chepstow School.
- It was confirmed that the summary of the Annual Governance Statement was distributed as requested.
- Internal Audit Section Contract Procedure Rules (Exemptions). It was noted that an update will be provided at the November meeting. Exemptions will be reported to next meeting and will be reported on a six monthly basis according to the Committee's schedule.
- It was queried if there was an action point that an investigation was to be arranged regarding the sale of Raglan Toilets. It was acknowledged that the query about the sale was raised outside of the Audit Committee and that there was no expectation to report that matter through Audit Committee.
- It was confirmed that a response was circulated to address a question raised relating to £10,000 expenditure to engage a Welsh-speaking chef to facilitate workshops at the National Eisteddfod. The response explained that the amount was co-ordinate the many workshops held and engage more than one chef.
- It was noted that the requested analysis of non-domestic rates figures included in the accounts had not been received. It was confirmed that the information was ready and would be furnished at the earliest opportunity.

#### **6. MCC Audited Accounts 2015/16 (formal approval)**

Monmouthshire County Council Audited Accounts for 2015/2016 were considered. The Officer explained that the document was the culmination of audit processes. The draft was presented to Committee in June, further study was undertaken and some amendments made before formal presentation at the meeting today. The report was noted and the Accounts for 2015/16 were approved.

#### **7. ISA 260 report - MCC Accounts**

The Wales Audit Office (WAO) ISA 260 Report on Monmouthshire County Council's Accounts 2015/16 report was considered. It was confirmed that the Auditor General will be issuing an unqualified audit report with no material issues arising.

The WAO Officer summarised the significant and other significant issues identified as:

- Significant issues: Classification of Creditors in Note 13.6; and misstatements corrected by management (detailed in Appendix 3 of the accompanying report)

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- Other significant issues: considering quantitative and qualitative matters, it was clarified that there were no qualitative issues other than some work to earlier meet new deadlines. It was noted that preliminary discussions had commenced to make appropriate arrangements.
- A final accounts memorandum will be issued for discussion with the Head of Finance and her team, which will include recommendations for improvement in the accounts production process.

Following presentation of the report, Members' questions and comments were invited.

- In response to a query, the Officer provided reassurance that the necessary actions will be taken as in previous years and that there had been no misstatement of the accounts but that some narratives are outstanding. It was concluded that there may be changes to the coding structure to reduce the opportunity for omission.
- A Member requested an explanation about Notes 13.5 and 13.6 regarding the reduction of £1.7m (from both Creditors and Debtors accounts) attributed to the Cattle Market? Clarification was also sought regarding CMC<sup>2</sup> noting that a potential £90K liability had been indicated but that profit and loss accounts, and dividends, indicate zero. It was queried if the outcomes forecasted had been achieved.

The Officer explained that the nature of adjustments for CMC<sup>2</sup> and referred to the 2014/15 accounts in which provisions for a shortfall for trading activities was included. It was explained that it had been recorded in error that it was still in existence and should have been written out which explained the required amendment. It was added that it is still appropriate to record as a potential liability as the Council wholly owns CMC<sup>2</sup>. The Council is not responsible for CMC<sup>2</sup>'s trading losses but is a guarantor for its overdraft facilities. It was added that its trading activities presume receipts for work done and that the sundry debtors system may credit income before cash is received so there is the debt management aspect to consider to receive the income and consequently, the Council may have to consider bankrolling CMC<sup>2</sup>'s overdraft in future. For this reason, it is being treated as a contingent liability rather than a provision. The difference was explained that a provision affects the Council's accounts whereas a contingent liability requires only a memorandum note in the accounts that it may occur in future.

The WAO Officer clarified that the timing of receipt of money was a presentational issue and had no effect on bottom line of accounts but still a significant point to note.

The recommendations were agreed.

The Officers were thanked for their contribution to the meeting.

#### **8. To confirm the date and time of the next meeting as 2.00pm on Thursday 13th October 2016**

The date and time of the next meeting were confirmed as 2.00pm on Thursday 13<sup>th</sup> October 2016.

#### **9. Internal Audit Charter**

The Committee received the revised and updated Internal Audit Charter for Monmouthshire County Council for approval in line with the expectations of Public Sector Internal Audit Standards (PSIAS).

The Officer introduced and summarised the Charter emphasising standards for compliance, responsibilities of officers and teams, expectations of managers and the role of the Audit

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Committee. It was advised that the Charter demonstrates an independent audit service and provides assurance to Members of compliance with the Council's Code of Ethics, Public Service Internal Audit Standards and the Seven Principles of Public Life.

The Charter also defines how and what internal audit work is conducted. Members were invited to approve the Charter with a suggestion that it is reviewed and returned to the Committee in two years to ensure it is fit for purpose.

The Chair clarified that section 3.3 the covering report should read "The new standards will be reported to the Audit Committee separately".

A Member suggested that the Charter should specify two years to formalise the review period.

#### **10. Internal Audit Progress report 2016/17 quarter 1**

A progress report was received to consider the adequacy of the internal control environment within the Council based on the outcomes of audit reviews and subsequent opinions issued to the 30th June 2016. The report also considered the performance of the Internal Audit Section over the first 3 months of the current financial year.

The Officer explained that this was a regular progress report that referred to Quarter 1 ending 30<sup>th</sup> June 2016. Assurances were provided that there was good progress within the Operational Audit Plan for 2016/17. It was advised that finalisation work from 2015/16 continues. Members' attention was drawn to the summary of fieldwork and reports in Appendix 1 and the Internal Audit Opinions contained in appendix 2. The Officer referred to the validation of performance indicators in Appendix 3.

The following recommendations were agreed:

- The Committee noted the audit opinions issued.
- The Committee noted the progress made by the Section towards meeting the 2016/17 Operational Audit Plan and the Section's performance indicators at the three months stage of the financial year.

#### **11. Wales Audit Office Reports**

The following three items from Wales Audit Office were received and considered.

#### **12. Annual Improvement Report 2015-16 - Wales Audit Office**

The Annual Improvement Report for 2015/16 was presented to the committee. It was explained that the report was a summary of work undertaken during the year and included report findings from the Care and Social Services Inspectorate Wales (CSSIW); Her Majesty's Inspectorate for Education and Training in Wales (Estyn); and the Welsh Language Commissioner.

Based on work undertaken during the year, it was concluded that the Council will comply with the requirements of the Local Government (Wales) Measure 2009 provided the current pace of improvement continues. The report recognises the progress in implementing proposals to improve in general and also the proposals for improvement made in the Corporate Assessment and Annual Improvement Report last year particularly the work undertaken to date and reported to the Committee referring to performance management, financial resilience, improvement planning and assessment work as part of WAO's duty and the progress made in terms of governance, but that the Council recognises the work still to do.

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It was commented that Estyn considers that the LA is not still in special measures and no further follow up activity is required. This status is the same for CSSIW with recognition that good progress was made last year.

A Member referred to the comment in the report that the Council needs to strengthen the transparency of corporate decisions and queried which areas appeared to be failing. It was clarified that the Council was not necessarily failing but highlighting the key element of the need to make sure records kept are uploaded accurately and in a timely manner. It was added that the transparency of decisions suggesting that Cabinet keep minutes and list of actions and so that members are aware of the context surrounding decisions.

The WAO Officer was thanked for her contribution to the meeting.

#### **13. Performance Management Corporate Assessment Follow-On**

The Performance Management Corporate Assessment Report was presented to Members noting that this was part of follow up report on the 2015 Corporate Assessment progress made against the final conclusions in relation to performance management. Members were reminded that the 2015 Corporate Assessment report concluded that whilst Council systems, procedures and guidance were in place, it was not consistently managing performance, improvement and risks. Proposals for improvements were made including the areas of strategic planning, further developing and embedding performance arrangements, to assist the Council in holding its partners to account and in relation to work with the Public Service Board. The work to improve performance management arrangements including tangible improvements to target setting, outcomes achievement and data quality.

It was explained that the overall conclusions were that the Council continues to improve performance management and recognises there is more to do to consistently apply its corporate arrangements and to address the requirements of the Wellbeing and Future Generations Act 2015.

It was explained that the follow on report included seven further proposals for improvement.

#### **14. Monmouthshire CC Response to the Performance Management Report**

The Council response to the seven proposals contained in the Corporate Assessment Follow-on Review was presented.

The Wales Audit Office Team and the Head of Policy and Performance were thanked for their contribution.

Questions were invited from Members.

A Member sought clarification regarding the Council's response to Proposal 4 (Implement improvements to the budget setting and service planning processes to address weaknesses identified through Heads of Service challenge sessions), the comment that the proposal was not accepted by the Council, and that no further action was agreed by WAO. It was explained that challenge sessions are an opportunity for each Senior Manager to engage in depth with the Leader of the Council and Chief Executive. The purpose of the session is not financial scrutiny but to consider the elements of leadership, management and direction. Whilst the Head of Service challenge sessions were thought not to be the right place to address the

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recommendations, it was agreed that improvements were needed to the financial modelling of savings and to the way that data is fed into the Medium Term Financial Plan, and those changes have been made.

A Member recalled that previously the WAO had stated that the relationship between senior officers and the Cabinet was too informal and that there should be more formal processes for challenge and suggested that the challenge sessions should include budget and financial management of the service.

In response, it was clarified that the level of this recommendation was more detailed about financial arrangements and in the scope of a Head of Service challenge session, there would not be the opportunity to consider such detail and that if financial management and probity of a department was raised as a concern, it would be dealt with as part of other processes. It was emphasised that the purpose of the sessions was the effectiveness of the head of service and to focus on financial arrangements in detail would require the attendance of other department managers or accountants to provide the depth of information.

The WAO Officer provided further clarification that there is a need to implement improvements to budget setting and service planning drawing from the weaknesses already identified in the Head of Service challenge sessions.

In response to a further query from a Member, it was confirmed that there were no concerns because the changes have been made.

A Member added that the budget-setting process and engagement with the public are being completely re-examined this year with a view to making improvements.

#### **15. Forward Work Programme**

We resolved to receive and note the Audit Committee Work Plan 2016/17 noting that the decision to defer consideration of the People Services Annual Report and Workforce Plan to the next meeting.

It was clarified that consideration of the Audited Llanelly Hill Social Welfare Centre Trust Fund Accounts 2015/16 would be removed from the Forward Work Programme as they fall below the threshold.

It was confirmed that arising from the Internal Audit Charter, a report would be provided on audit public standards.

**The meeting ended at 2.55 pm**