

MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of Audit Committee held
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 2nd February, 2017 at 2.00 pm**

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

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

OFFICERS IN ATTENDANCE:

Mark Howcroft	Assistant Head of Finance
Andrew Wathan	Chief Internal Auditor
Kellie Beirne	Chief Officer, Enterprise
Non Jenkins	Wales Audit Office
Tracey Harry	Head of People and Information Governance
Terry Lewis	

1. Apologies for Absence

There were no apologies for absence.

2. Declarations of Interest

No declarations of interest were made by Members.

3. Public Open Forum

No members of the public were present.

4. To confirm minutes of the previous meeting

The minutes of the previous meeting held on the 15th December 2016 were confirmed.

5. To note the Action List from 15th December 2016

We noted the Action List from the meeting held on the 15th December 2016. In doing so, the following points were noted:

- Overview of Performance Management Arrangements: A progress report on improvement objectives will be presented in 6-12 months.
- Youth services: It was noted that a response had been circulated clarifying that there had been a misunderstanding regarding a reduction in funding from Welsh Government (WG).

It was observed that the response referred to a full business case on how to maintain youth services for the future with community focus and queried if Audit Committee should look at the business case. The Chief Officer for Innovation and Enterprise responded that the business case is part of a comprehensive restructure and a report in

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the wider context of the whole directorate is due; a report, detailing the Youth Service element of the review, will be presented to Committee.

In response to a question, it was confirmed that all youth centres are under review, including The Zone in Caldicot. Feedback suggests that single facilities are not valued by young people and it was added that the Aspire project, run in the Leisure Centre, is well attended and has better integration. A Member asked what would happen to The Zone and the £70,000 WG grant to provide the facility. It was responded that this aspect will be part of the review and conclusions will be presented to Cabinet. The Youth Service elements will be reported to this Committee when the business plan is finalised, particularly including budgets and outturns.

A further question was asked about timescales and it was confirmed that outline proposals will be available in March for decision making with more details after May 2017.

- Roger Edwards Trust: It was reported that the Trust hasn't met since the last meeting. In the meantime, it has been confirmed that cheques are not released until the end of the year, when the accounts are published. The Trust will consider the request to release cheques earlier.
- Zero hours contracts: It was confirmed that a letter had been sent to County Councillor F. Taylor (and circulated to the Committee), responding to questions raised in the minutes of the last meeting. The outstanding matters relating to employment practice in schools will be reported upon at the next meeting of the Audit Committee.
- Early Departure and Redundancies Costs: It was noted, with thanks, that the details had been circulated as requested.
- Exemptions to Contract Procedure Rules: It was reported that of the five outstanding exemptions, four have been received and authorised by the relevant Chief Officer. The fifth exemption is related to a service trial and the exemption has not yet been applied but may be used in future when the best option is known.

6. Q3 Progress report

The Chief Internal Auditor presented the Quarter 3 Progress Report (to 31st December 2016) with a purpose of providing assurance to Audit Committee and senior managers on the adequacy of the control environment, and the performance of the Internal Audit Team. The following points were noted:

- There have been 30 audit jobs; not all opinion related and 10 draft reports have opinions allocated (as defined in the report).
- Regarding team performance, 98% of recommendations have been accepted by office managers and work is being undertaken to assure implementation. Timeliness of reports is identified as an issue and is attributed to the workload of the Audit Manager who is responsible for quality control, consistency and reactive issues. It was explained that 42% of the plan has been covered which is below the target of 50% but a small improvement on last year. The team is on track to achieve 75% of the plan by year end.
- A question was asked if there are any major concerns including workload and areas of greatest sensitivity. It was responded that priorities have to be drawn because of the limited number of auditors to consider matters that include corporate and service areas, and will be reported to Audit Committee in March 2017.

A question was asked about the **Limited** assurance opinions on school meals and community led delivery and more details were requested. It was explained that audits and

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opinions are defined based on strengths and weaknesses measured against key control objectives. If it is found that control objectives are not in place, a financial risk is identified. A **Limited** opinion is awarded where weaknesses outweigh strengths. An overview was provided as follows:

- i. School meals: There was a lack of official documentation outlining responsibilities for schools and Property Services (which manages the service). Income data was not monitored appropriately and there were differences not reconciled between school and Property Services systems. Additionally, significant outstanding debts were not being followed up.
- ii. Events: A number of aspects required some improvement:
 - a) Some contracts were not always signed although in place;
 - b) Income reconciliation in terms of allocation and stock control of tickets;
 - c) Record keeping of staff working at events;
 - d) Issues concerning the contract tender; and
 - e) Reconciliation of financial aspects of an event which were not received as promptly as expected.

A Member requested assurance regarding unsigned contracts. It was confirmed that these were not always in place for some events and commitment to improvement has been given for future events. The Chief Officer Innovation and Enterprise provided assurances and context, that the recommendations are wholly or partially addressed. It was explained that these types of events are at the heart of the council's commercial strategies and is necessary to balance income generation and risk. The council acts as the event promoter and receives 100% of the income generated. This is a high risk position but also potentially high reward and it is necessary to clearly set this position out. The Committee was invited to reflect that the timing of the audit was during the National Eisteddfod and the Status Quo concert and it was accepted that there were some shortcomings due to the many tasks and responsibilities necessary at that time. The Chief Officer expressed her confidence in the Events Team referring to the forthcoming Little Mix concert at Caldicot Castle. It was explained that safeguards are in place, but as the focus is profit generation, the council must be prepared for higher risk thresholds.

It was confirmed that, as the opinion is **Limited** the matter will be revisited in 6 to 12 months to monitor if the recommendations have been followed up and reported back to Audit Committee in due course.

Reference was made to the **Qualified** opinion on Adult Services (Supporting people with Grants) and it was confirmed that this was one of the council's claims. It is responsible for submitting a return to WG and whilst the financial element was acceptable, the conditions were changed during the year determining that outcomes should also be audited and an internal audit certificate awarded. It was not possible to fully demonstrate the terms and conditions of the grant had been met.

A Member queried the appropriateness of a high risk/high reward approach and encouraged Audit Committee to monitor the situation as councils should take a cautious approach when dealing with public money. The Chief Officer explained that in times of austerity, an entrepreneurial approach is needed and this adds value to the county. It was clarified that the audit was of the collective work of several teams, reflecting how the authority works together. In response to a comment, it was confirmed that CMC² was a community interest company not a high risk/high reward enterprise. The Head of Resources added further context that the events team works with finance officers adding that downside risk is managed with sensitivity and market analyses undertaken. It was added that events present a measured risk that should be viewed in a wider context.

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The Committee were reminded that treasury transactions are much larger and of a completely different magnitude to events.

In response to a suggestion, it was confirmed that this topic has been regularly scrutinised by the Economy and Development Select Committee and it is part of its ongoing work programme. It was agreed that the follow up audit report in September should include aspects of risk to the authority, including audit of the procedures for the two major events this year.

The Quarter 3 Progress Report was formally noted.

7. Corporate Assessment Follow on review - Human Resources

The Wales Audit Officer reported on the Corporate Assessment Follow on Review of Human Resources.

It was concluded that there has been good progress in planning, managing and engaging the workforce. There is good support from the HR team and ICT systems are being developed e.g. return to work interviews and sickness information. There is evidence that the Council is acting on feedback from staff; it has held its first staff and has also established Monminds.

The Corporate Assessment report's proposals for improvement needing further work were summarised as follows:

- Engage more effectively with staff to ensure the Council's values are clearly evident across the organisation;
- Ensure that the planned revisions and changes made to 'Check In Check Out' deliver a clear process of assessing and improving the performance of all staff and that department, team and individual objective setting is in line with the Council's corporate objectives; and
- Develop the Council's workforce planning arrangements by including accurate data and key management information around workforce issues and statistics, reporting regularly to Senior Leadership and Management Teams to enable effective monitoring of progress and management of these issues on an ongoing basis.

The HR Corporate Assessment identified the following new proposals for improvement:

- P1 Develop further workforce data to include staff establishment, contract status, vacancies, agency use, age, gender, and grade/pay distribution, to better inform future workforce planning activity.
- P2 Improve oversight and ongoing implementation of the staff appraisal process. In particular:
 1. Ensure staff appraisal completion is uploaded onto the Council's Hub to accurately reflect the numbers of staff in receipt of an annual appraisal; and
 2. Increase the appraisal completion rate.
- P3 Further develop HR ICT systems to better support operational managers and improve recording of sickness and disciplinary matters.
- P4 Improve the evaluation of HR improvement actions to better measure the impact and outcomes.

The Management response was presented and the following points noted:

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- The first two proposals follow on from previous proposals for improvement and strengthen arrangements.
- It was agreed that the authority is good at measuring activities but not outcomes, and a change in management practice is required to provide evidence that the changes to systems, policy and guidance results in a change in management practices e.g. better sickness levels, less grievances etc. The intention is to improve HR practice and responses, and to work much closer with managers to identify and address concerns.
- The proposals were welcomed and will be reported upon in the Annual People Report in July 2017.

A Member queried, if managers don't have profile information of their workers, how redundancies (and any particular demographic thereof) can be monitored. Additionally, the point that senior managers and members find it difficult to assess if progress has been made was questioned. It was asked if there was confidence in the progress made and whether or not managers can be challenged on underperformance. It was also queried if there will be demonstrably better outcomes when they are reported in July.

It was responded that the data has been available but not in an easily accessible format for managers. Consequently, a dashboard containing information such as Full Time Equivalent (FTE), gender, turnover, sickness level, grade, age profile and length of service, is being developed and is close to launch. An offer was made to demonstrate the dashboard at a future meeting. Work is in progress to assure data protection, and then the intention is that managers will access the data to aid future workforce planning.

It was explained that, for example managing ill health, is to do with changing management practice referring to the new return to work video. It is also about encouraging the workforce to have responsibility for its own health and wellbeing with clear expectations and identification of underperformance as required. Impact could then be measured by monitoring the number of capability, grievances and disciplinary cases. In the wider context, the organisation will also develop a broader range of indicators to include complaints, freedom of information requests and training to refine where HR services for managers are required.

In response to a question, it was confirmed that the dashboard will be launched on 1st April 2017. A question was asked about the adequacy of the IT systems underpinning the dashboard and replied that there has been minimal development capacity within the Payroll and HR team who are developing Resource Link. There has been a staff restructure with modest investment in systems to enable the team to explore the capability of systems and options.

It was agreed that a presentation on the dashboard would be provided at the next meeting. Members welcomed the opinion of the Wales Audit Office, looked forward to the presentation at the next meeting and the future provision of better information on the profile of the workforce.

A Member asked if there were sufficient resources in place to deliver the improvements. It was explained that there had been investment in the HR and Payroll team to develop capacity adding that a HR adviser review is being conducted with a view to ensuring there are sufficient advisers to develop a partner approach with business managers. It was emphasised that the priority is to change management practice and manage staff appropriately.

It was added that, in terms of return on investment, the digital programme office is being used to improve understanding and to enable better use of systems. Where opportunities are identified, avenues for further investment will be sought as necessary.

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8. Forward Work Programme

The Forward Work Programme was received noting that it only extends as far as the election in May. A twelve month plan will be prepared with standard items for Committee Members to understand the annual work cycle.

9. To confirm the date and time of the next meeting as Thursday 16th March 2017 at 2.00pm

The meeting ended at 3.15 pm