

# Public Document Pack

## MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held  
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 23rd November, 2017 at 2.00  
pm

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

County Councillors: A. Easson, P. Murphy, B. Strong, J.Watkins,  
M.Feakins, M.Lane, S. Woodhouse and V. Smith

### **OFFICERS IN ATTENDANCE:**

Mark Howcroft	Assistant Head of Finance
Andrew Wathan	Chief Internal Auditor
Kellie Beirne	Chief Officer, Enterprise
Peter Davies	Chief Officer, Resources
Wendy Barnard	Democratic Services Officer
Terry Lewis	Wales Audit Office
Ian Saunders	Head of Tourism, Leisure and Culture
Dave Walton	Audit Manager
Lesley Russell	Senior Accountant - Fixed Assets and Treasury

### **APOLOGIES:**

County Councillor P. Clarke

#### **1. Declarations of Interest**

Item 7 - Kerbcraft Update: County Councillor V. Smith declared a personal, non-prejudicial interest under the Member's Code of Conduct as a LA Governor (and Chair of Health and Safety Committee) of Usk Church in Wales Primary School and as a grandparent of children in Goytre Fawr Primary School.

Item 7 - Kerbcraft Update: County Councillor A. Easson declared a personal, non-prejudicial interest under the Member's Code of Conduct as a Governor of Ysgol Gymraeg Y Ffin.

#### **2. Public Open Forum**

No members of the public were present.

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

The minutes of the previous meeting held on 19<sup>th</sup> September 2017 were confirmed and signed by the Chairman.

#### **4. To note the Action List from 19th September 2017**

- **Events (Risks):** This matter was exempt and considered at the end of the meeting.

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 23rd November, 2017 at 2.00 pm

- **Internal Audit – Implementation of recommendations:** It was confirmed that the Chief Officer, Children and Young People was progressing this matter and will provide a report at the next meeting.
- **Treasury Training:** This to be provided following the meeting today.
- **Unsatisfactory Audit Opinions:** A report is expected at the January meeting.
- **Audited Statement of Accounts and ISO260 response:** The information requested was provided to C.C. V. Smith.
- **Revised Information Strategy:** A response has been included on the Action List in the agenda pack.
- **Constitution:** It was reported that single member decisions are covered by the Constitution (Responsibility for Executive Functions) and in the Executive Procedure Rules.

#### 5. CPR Exemptions 6 monthly report

A six-monthly update on Contract Procedure Rules Exemption was provided.

Key Issues:

- To ensure compliance with the Council's Contract Procedure Rules in the way goods, works and services are procured on behalf of the Authority.
- Reassurance that the exemption process from Contract Procedure Rules is operating as intended by managers procuring goods, works or services on behalf of the Authority.
- Some operational managers procuring goods, works and services on behalf of the Authority may not be as familiar with Contract Procedure Rules and the exemption process as they should be.

A table of exemptions requested for the period November 2016 – May 2017 was provided. There had been an average amount of requests totalling 15 (of which 9 weren't returned and proper authorisation cannot be verified) compared to 13 in the previous period (5 weren't returned of which 4 have been reported upon and 1 was not required).

The position was not considered favourable, consequently the Chief Auditor committed to remind all officers requesting a form of the need to have it properly authorised or provide justification why an exemption is not required, also to remind Heads of Service of due process on a much more formal basis.

In response to a question about non-compliance, and the number of exemptions applied for, it was agreed to provide analysis of notable trends (e.g. by departments) in future reports as necessary.

The Chief Officer Resources commented that current arrangements, and some possible realignment of procedures, will be discussed with Procurement and Internal Audit to tighten arrangements and offer more assurance going forward.

The committee considered calling in respective officers and Heads of Service to demonstrate accountability and agreed that if there were concerns they should be asked to attend an Audit Committee meeting.

The Chair proposed, and it was agreed, to call in officers and respective Head of Service in circumstances where the Contract Procedures Rules have not been complied with for the following high value issues (if no satisfactory response is received in the meantime):

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 23rd November, 2017 at 2.00 pm

- 219 Abergavenny Public Realm Scheme (£300,000);
- 210 Redesign of Community Hub, Abergavenny (£100,000); and
- 211 Road repairs (£57,000).

#### **6. Kerbcraft - Update**

The Head of Operations provided an update on the action plan arising from concerns regarding Kerbcraft training in schools as identified by the Wales Audit Office.

It was confirmed that revised procedures are in place. Other requirements include new monitoring and governance arrangements, including reporting to Audit Committee and Cabinet until Members are satisfied that adequate controls and measures are in place. It was agreed to consider today's report as a six monthly report and another will be provided in another six months. If then satisfied with the performance measures, the Cabinet and Audit Committee may consider ending involvement in this matter unless invited again to consider progress.

It was confirmed that new procedures were adopted by Cabinet in July 2017 and new training began in September 2017. There are also new monitoring arrangements to provide feedback on what is taking place and where.

Committee Members were informed that the scheme is undertaken on behalf of Welsh Government, there is no statutory element nor compulsion for schools to participate. Quarterly reports providing feedback are compiled for Welsh Government. Additionally, a list of the schools trained and what training is planned, including feedback from schools and parents on satisfaction with the scheme is available.

A Member asked for more information about bike/motorcycle training. It was agreed to provide a written report with the requested information.

County Councillor A. Easson declared an interest as a governor of Ysgol Gymraeg Y Ffin and asked what the training involves, noting that the school is located on a busy road. It was responded that the level of training is provided according to Welsh Government guidelines as follows:

- Skill 1 – choosing a safe place to cross the road;
- Skill 2 - crossing safely near parked cars; and
- Skill 3 – crossing safely by a junction.

It was explained that details are available on staff procedures and records including the training received by staff, and risk assessments made by staff where training can safely take place. It was confirmed that Road Safety staff can provide the lists of persons trained to schools as required.

In response to a question, it was confirmed that processes have changed and fewer volunteers are now utilised (minimum of six). Assurance was provided that if there are insufficient volunteers or staff, then the training will not be held. If volunteer checks are not in place, then paid staff will run it. Central records are now in place to maintain records of volunteer checks – if incomplete, the volunteer will not be used. It was confirmed that there are sufficient volunteers at present.

# MONMOUTHSHIRE COUNTY COUNCIL

## Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 23rd November, 2017 at 2.00 pm

The Committee agreed the report recommendation regarding implementation of the plan and looked forward to a further update in six months' time with more details on the number of volunteers to be included.

### **7. Half Yearly Treasury Compliance monitoring**

The Committee received the six monthly report on Treasury Management activities. Following presentation of the report, Members were given the opportunity to ask questions.

A Member asked for clarification about the Authority retaining professional status. It was explained that there is a change in financial regulations which has resulted in the re-categorisation of institutions as either Professional or Retail investor status.

The institutions that provide advice have a different standard they are required to meet depending on the investment status being Professional or Retail. The Authority does not use many of the products and instruments a Professional investor is entitled to use, as its strategy is simpler and investments are shorter term. Therefore, it may be most cost effective to retain Retail status as opposed to the cost of acting up to Professional status which would reduce the consequent administrative costs.

It was explained that may be better for a local authority to have Professional status but not use the full extent of that capability as opposed to be re-categorised as Retail as this allows access to a lot more institutions. It was noted that a £10million minimum investment is required to act up to Professional status; it is not a preferred position to borrow money to retain this status and the position is being considered currently. A decision is required by the beginning of January 2018.

A Member questioned the £105m loans held and asked if they were drawn down or if the authority was using "churn" to fund them. It was explained that the amount of loans for the capital financing requirement (if using loans) is £135m. The £105m is actual loans incurred and the Council uses internal borrowing from cash flow for the remainder.

It was further queried if there was any internal rate of return, and if so, could this create a cash flow internally. It was explained that this 'internal borrowing' would not necessarily create new money but is a method of utilising available resources to reduce interest rates on borrowing overall.

In response to questions, it was confirmed, regarding the sustainability of decisions, that the treasury training following the meeting would clarify the information available to officers regarding any loans required for the capital programme.

It was noted that treasury management includes the management of cash flows and that the 'higher than normal expenditure' incurred for 21<sup>st</sup> C Schools is due to expenditure not occurring in the period the cash flows are available for funding. It was added that ideally, capital receipts will be used instead of borrowing. If insufficient funds are available, temporary borrowing is utilised to compensate and is included in the revenue monitoring report as a potential cost. It was explained that for 21<sup>st</sup> C Schools, often Welsh Government provides payments on account that won't have yet been spent.

A Councillor asked why we were not able to build more solar farms to increase income, and the answer given was that the initial investment was underpinned by government support, but the level of support available was now being reduced. Further, it was explained that the saving against the budget for the Solar Farm was for one year as it was still an asset under

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 23rd November, 2017 at 2.00 pm

construction and MRP will only start being charged in the year after establishment. The level of capital receipts at the end of 2016/17 had not been sufficient to repay or reduce the capital financing requirement as budgeted creating an overspend of £250,000.

It was questioned, therefore if it was prudent to build Solar Farms for profit and responded that this is the case. There is a one year treasury consequence but also a revenue stream over 20 years monitored through the revenue account, which currently indicates £100,000 annual surplus due to the Solar Farm's activity.

The Cabinet Member explained that the delays on "J" and "E" Block should be considered alongside the Solar Farm. He added that, regarding 21<sup>st</sup> C Schools, permission was granted to use the Welsh Government funding first (£40m) allowing the Council to delay making provision to fund some of the expenditure.

A Member added that Solar Farms are completely underpinned by subsidy from the government and these have been significantly reduced making a less attractive prospect.

As per the report recommendations, the report was reviewed.

#### **8. Internal Audit Progress Report 2017/18 (Quarter 2)**

The Chief Auditor provided the committee with the Internal Audit Progress Report for 2017/18 (Quarter 2). The report provided an update on the internal control environment and progress against performance indicators.

Progress against the plan was reported and it was noted that 22 audit jobs had been completed of which only 2 attracted an opinion as follows;

- Chepstow School: Considerable assurance
- Borough Theatre: Limited assurance

A significant amount of work has been finalised, and some is still in progress waiting to be finalised. Both the Chief Auditor and the Audit Manager have been involved in significant and sensitive special investigations that have taken time away from the Audit Plan.

99% of Audit recommendations have been agreed by Operational Managers and have agreed to implement change to their processes to improve the internal control environment. Reports are taking 21 days to issue in draft and a further 16 days for the final version to be published. This is better than the position last year at this time but still can be improved.

Overall, 23% of the plan has been achieved against a target of 33% due to the extra work on special investigations. It was confirmed there is a full complement of staff.

The Cabinet Member was pleased to see Chepstow School's new status.

In answer to a query, it was confirmed that timeliness of audit reports is based on a 5 day working week

In response to a question, it was explained that, in regard to the Borough Theatre, an audit review was undertaken on the controls expected to be in place and a draft report issued.

The recommendations of the report were noted.

## MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of Audit Committee held  
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 23rd November, 2017 at 2.00  
pm**

### **9. Overview of Performance Management arrangements.**

The Policy and Performance Officer introduced and explained the above report and questions were invited.

In response to a question, an overview of the Check in/Check out process was provided.

It was noted that the report provided a significant level of assurance.

As per the report recommendations, it was agreed that:

- Members had familiarised themselves with the council's performance framework to ensure that they understand the parts of the system that must work together to deliver improvement.
- Members used the update provided to seek assurance on the operation of the Authority's performance management arrangements and identify an areas where they feel action needs to be taken or further information provided.

### **10. Audit of MCC Assessment of 2016-17 Performance (for information and confirmation of compliance)**

The Policy and Performance Officer introduced the report and it was noted that the certificate met statutory requirements and a satisfactory level of assurance was provided.

### **11. Audited Trust Funds (Welsh Church Fund and Monmouthshire Farm School Endowment Trust)**

The item was deferred until the next meeting.

### **12. ISA 260 or equivalent for Trust Funds**

The item was deferred until the next meeting.

### **13. Forward Work Programme**

The Forward Work Programme was noted.

### **14. To note the date and time of the next meeting as Thursday 11th January 2018**

### **15. Treasury Management Training**

The Treasury Management Training took place after the conclusion of the meeting.

### **16. To resolve to exclude the press and public from the meeting during consideration of the following item of business in accordance with Section 100A of the Local Government Act 1972, as amended, on the grounds that it involves the information as defined in Paragraph 12 of Part 4 of Schedule 12A to the Act [Proper Officer's view attached].**

### **17. Events Follow-up Audit**

The Committee discussed the Events follow up report and resolved to hold a Special Meeting to consider the matter further.

**MONMOUTHSHIRE COUNTY COUNCIL**

**Minutes of the meeting of Audit Committee held  
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 23rd November, 2017 at 2.00  
pm**

**The meeting ended at 4.40 pm**

This page is intentionally left blank