

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of the Audit Committee held at County Hall, Usk, On Thursday 16<sup>th</sup> July 2015 at 2.00 pm

**PRESENT:** Mr P. White (Chairman)

County Councillors: A. Easson, D.L. Edwards, R.J.C. Hayward, R.J. Higginson, R.P, P. Murphy, J. Prosser and B. Strong.

#### **ALSO IN ATTENDANCE:**

County Councillor V. Smith

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

J. Robson	- Head of Finance, Section 151
M. Howcroft	- Assistant Head of Finance
A. Wathan	- Chief Internal Auditor
K. Beirne	- Chief Officer, Enterprise
S. Hayward	- Digital and Technology Manager
W. McLean	- Head of Policy and Engagement
N. Perry	- Democratic Services Officer

#### **OTHER ATTENDEES:**

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

### **1. APOLOGIES FOR ABSENCE**

There were no apologies for absence received.

### **2. PUBLIC OPEN FORUM**

The Chairman welcomed contributions from members of the public, which were received as follows:

a) Mr M. Rees

Mr. Rees, introduced himself as a former teacher at Chepstow School. He raised concerns regarding a submission to Audit Committee on 18<sup>th</sup> June 2015 by the Head Teacher of Chepstow School. We had heard that with regards to an interest free loan given to a teacher to assist with relocation, that a sufficient repayment schedule had

## **MONMOUTHSHIRE COUNTY COUNCIL**

### **Minutes of the meeting of the Audit Committee held at County Hall, Usk, On Thursday 16th July 2015 at 2.00 pm**

not been established. In response to a request for further information on the loan, Mr. Rees suggested that an unsatisfactory reply had been received.

Mr. Rees questioned if the Committee would be taking a closer look at the management of Chepstow School's devolved budget, particularly regarding the following points:

- Teacher recruitment continuing to take place alongside voluntary redundancy occurring.
- The cost of the decision to increase the size of the school's management tier, but not to employ a bursar to provide financial expertise.
- The cost of appointing a private HR firm to assist in the implementation of compulsory redundancies.
- The cost of the decision to dismiss a senior employee, particularly that there was a settlement to avoid a tribunal.
- The cost of an interest free loan to a teacher at the same time that the school was heading towards a £230,000 deficit.

The Assistant Head of Finance confirmed that the questions would be investigated and a response would be provided through the Audit Committee.

The Chief Officer, Enterprise confirmed that the issues had been raised with the Leader of the Council, and had agreed to investigate the claims. It was suggested that when the process was resolved and finalised, the findings should be shared with the Committee.

A Member asked if it was a widespread practice to make informal loans to teachers in Monmouthshire schools. The Chief Officer, Enterprise, explained that it was not necessarily the case that actions undertaken in one school had occurred in others, but suggested that the normal process of Internal Audit would reveal any similar actions taken in other schools.

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

County Councillor R.J. Higginson declared a personal, non-prejudicial interest under the Member's Code of Conduct as a member of the governing body at Chepstow Comprehensive School.

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of the Audit Committee held at County Hall, Usk, On Thursday 16th July 2015 at 2.00 pm

County Councillor D.L. Edwards declared a personal, non-prejudicial interest under the Member's Code of Conduct as a Member of the Mon Farm School Endowment Trust and Welsh Church Fund.

County Councillor A. Easson declared a personal, non-prejudicial interest under the Member's Code of Conduct as a Member of the Mon Farm School Endowment Trust and a member of the governing body at Dewstow School.

County Councillor B. Strong declared a personal, non-prejudicial interest under the Member's Code of Conduct as a Member of the Welsh Church Fund.

County Councillor P. Murphy declared a personal, non-prejudicial interest under the Member's Code of Conduct as a member of the governing body at Shirenewton School and Mounton House School.

#### 4. MINUTES

The minutes of the Audit Committee meeting held on Thursday 18<sup>th</sup> June 2015 were confirmed as a correct record and signed by the Chairman, with the following amendment:

- **Item 9 Chepstow Comprehensive School** – A Member suggested that the bullet point stating '*The school is moving from a budget deficit*' was incorrect and should state that the school was in a deficit position, with plans in place to make improvements.

The Chairman informed the Committee that it had been agreed to move Item 10 on the agenda, which would now follow Item 6.

#### 5. ACTION LIST

We noted the action list from the meeting dated 18<sup>th</sup> June 2015. In doing so, the Chairman confirmed that the Head of Commercial and People Development had issued an interim note on the expected report. Members queried the delay in receiving the expected reports. We heard from the Chief Officer, Enterprise that work was being undertaken to marry finance and HR data, and automation processes were currently being worked on. It was noted that early departure information was included in the Statement of Accounts. The Committee were assured that a comprehensive report would be presented at the September Audit Committee.

## **MONMOUTHSHIRE COUNTY COUNCIL**

### **Minutes of the meeting of the Audit Committee held at County Hall, Usk, On Thursday 16th July 2015 at 2.00 pm**

A Member raised concerns surrounding the information provided regarding capacity issues, and questioned how the Authority could continue to deliver services. In response, we heard that as a small authority, we were vulnerable to staff shortages, but a strategy had been developed to generate income which should enable MCC to become more robust and effective in delivering services.

#### **6. WALES AUDIT OFFICE - REVIEW OF THE SHARED RESOURCE SERVICE**

We received a report on the review of the Shared Resource Service from the Wales Audit Office.

Having received the report, Members were invited to comment.

A Member noted that this was a fair report of SRS as it was at the time of the review, but not as it currently operated. The review had identified a lack of business plan, governance issues and no gauge on return on investments. All issues had since been addressed, and there was now a clear line of accountability. The Member had received an up to date email report providing details of how Monmouthshire County Council driven the implementation of SRS improvements, and would forward the email to Committee Members.

A Member questioned if the Authority had entered into the new partnership with finance details of the system currently in place. The Head of Finance informed the Committee that there would have been a budget for the IT section and that full budget had been invested in SRS.

Members sought assurances that the weaknesses identified had been eradicated, and would appreciate frequent update reports at Audit Committee.

The Digital and Technology Manager expressed that the Authority's involvement with SRS had transformed IT, and without it we would not have been able to implement agile working.

The Chief Officer for Enterprise added that whilst we were responsible for technology strategically, SRS were responsible for the implementation. Since issues had been identified, there were comprehensive processes in place. SRS had shifted drastically in provision and also contributed to activity. It was described as a constant and continuous improvement journey.

Members wished to acknowledge the extensive work carried out by the Officers and Cabinet Member.

The Committee resolved to note the report and looked forward to further information at the next Audit Committee.

## **MONMOUTHSHIRE COUNTY COUNCIL**

**Minutes of the meeting of the Audit Committee held at County Hall, Usk,  
On Thursday 16th July 2015 at 2.00 pm**

### **7. TREASURY OUTTURN REPORT**

We received the Treasury Outturn Report 2014/15 presented by the Assistant Head of Finance. CIPFA's Code of Practice required local authorities to annually produce Prudential Indicators and a Treasury Management Strategy Statement on their likely financing and investment activity.

Members were recommended to note the results of the treasury management activities and the performance achieved in 2014/15.

Following the presentation, Members were invited to comment.

A Member queried the suggestion that internal borrowing would be better than external borrowing. In response, we heard that internal borrowing would prove more cost effective, as any investment income forgone would be less than the cost of external borrowing.

The Assistant Head of Finance advised the Committee that if Members required further information on the Treasury Management Strategy, meetings could be arranged with the Treasury Advisors, Arlingclose.

The Committee resolved to note the report.

### **8. STATEMENT OF ACCOUNTS 2014/2015**

We received the Statement of Accounts 2014/2015, presented by the Assistant Head of Finance, in order for Members to consider the annual accounts for the Authority for 2014-15.

Members were required to consider the annual accounts for Trust Funds for which the Authority acts as sole or custodian trustee for adoption, and to make appropriate recommendations.

We heard that the Statement of Accounts were in draft form and there were changes expected. The Audited Statement of Accounts would be approved by Council in September 2015.

The Head of Finance/Section 151 expressed appreciation to the Assistant Head of Finance and his team for efforts in what had been a tremendous challenge.

Members were invited to comment.

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of the Audit Committee held at County Hall, Usk, On Thursday 16th July 2015 at 2.00 pm

A Member questioned if it was necessary to hold a reserve for single status and equal pay. In response, it was explained that it was no longer necessary and as part of the closing exercise, the reserve had been expired.

Following a Members query, the Head of Finance/Section 151 confirmed that HRA Pension Deficit Reserve, Appendix 1 10.4, no longer had a balance in it and could be deleted.

Members raised concerns regarding the rise in deficit of the pension fund, and requested clarification on the rates paid into the pension scheme by employees. In response we heard that the pension fund deficit could vary from year to year and some years may be beneficial. An evaluation on the fund was due to be undertaken which should assess the rate needed going forward. We were informed that employees paid between 6 – 10% into the pension fund, dependant on band. A list of rates would be supplied to the Committee **(ACTION – JR)**

A Member queried where in the Balance Sheet details could be found regarding the Cattle Market asset and site in Raglan. It was explained that the figures were included in Assets Held for Sale. Further information would be supplied in relation to rents for the sites **(ACTION – MH)**.

The reduced deficit of Deri View School was queried and Officers confirmed that no further money had been provided but the school had followed a recovery plan.

We received explanation on the following Earmarked Reserves:

- Invest to Redesign Service – a reserve to enable the Council to move to where it needs to be, to redesign services in order to live within its means.
- Priority Investment Reserve – a reserve set up to promote the Councils priorities.

A Member questioned the retail markets and industrial units now running at a loss. Officers confirmed they would take the query on board and provide further information **(ACTION – JR)**.

The Audit Committee wished to express their appreciation to the Officers for the extensive work involved in preparing the report.

In response to a query regarding the Welsh Church Fund we were informed that the Council acts as trustee, there are three representatives who could meet with other representatives from the former Gwent area to oversee the fund.

A Member raised concerns regarding the Internal Audit team experiencing reduced resources which resulted in 65% of the planned work being achieved. In response it was explained that the audit plan, based on the resources available, was set at the

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of the Audit Committee held at County Hall, Usk, On Thursday 16th July 2015 at 2.00 pm

beginning of the year. There was currently a recruitment campaign in order to fill vacant posts. The Internal Audit team would report back to the Audit Committee on a regular basis to provide assurance on the internal control, governance and risk.

A Member questioned if, in the drive to reduce school deficits, there was talk of clustering schools in order to ensure more efficient ways to manage budgets. In response we heard that in terms of clustering, the Authority must delegate a budget to individual schools, but there was recognition that schools combining resources had resulted in clusters manifesting themselves.

A Member requested clarification regarding the IT Transformation Reserve. As we had previously heard that all IT budgets were used as funding for SRS it was questioned if this was a further budget allocated to IT. It was also questioned if the Invest to Redesign Reserve allocated funds to IT, and where in the accounts could we see the actual figure spent on IT. In response we heard that there were reserve balances for IT for the Authority to use as it sees fit, and were not funds for SRS to control. We were informed that figures for the overall cost of IT would be forwarded to the Committee **(ACTION - MH)**. The Invest to Redesign Reserve was not technically a budget, rather an earmarked reserve to fund potential cost saving projects in the future. The Head of Finance explained that the budget given to SRS was the revenue budget for the entire IT section in order to run the day to day running costs of the IT service. In addition, several other budgets had been identified within Directorates that were also transferred to the SRS for running IT services. The reserves available for IT purposes are kept within MCC to enable investment in IT and are more likely to be of a capital nature.

A Member queried the investment income for the Monmouthshire Farm School Endowment Trust, in terms of how best to increase returns on investments. The Assistant Head of Finance informed that Committee that Arlingclose had met with the MFSET and put in place an appropriate investment strategy. It was understood to be a work in progress and we would expect to see better returns next year.

The Committee resolved to note the report and would look forward to receiving the final version in September 2015.

The Chairman expressed the appreciation of the Committee to all involved.

## 9. CONTRACT PROCEDURAL RULES – EXEMPTIONS REPORT

We received the Contract Procedural Rules – Exemption Report from the Chief Internal Auditor.

Members were required to consider the adequacy and appropriateness of the exemption process from the Authority's Contract Procedural Rules since the last report in December 2014.

## **MONMOUTHSHIRE COUNTY COUNCIL**

### **Minutes of the meeting of the Audit Committee held at County Hall, Usk, On Thursday 16th July 2015 at 2.00 pm**

Members were recommended to accept and acknowledge the justifications for the exemptions provided by operational officers. An updated report would be presented to the Committee in 6 months to include any further responses obtained by the Chief Internal Auditor.

The Committee resolved to accept and note the report.

#### **10. WALES AUDIT OFFICE – IMPROVEMENT PLAN AUDIT**

We received the Certificate of Compliance from the Wales Audit Office, following the audit of the Improvement Plan.

The Head of Policy and Engagement informed the Committee that the full audit had been undertaken and the Authority had been provided with informal feedback.

The WAO had provided recommendations as follows:

- To make future consultation events more explicit.
- To list the seven improvements as detailed in the measure.
- To provide detail the officers responsible for certain aspects of improvement.
- To provide greater clarity on how milestones were measured.

The Committee resolved to note the Certificate.

#### **11. WALES AUDIT OFFICE – AUDIT COMMITTEE SELF-ASSESSMENT WORKSHOP**

Members received a report in order to consider the output from the self-assessment undertaken by the Audit Committee Members on the 16<sup>th</sup> April 2015.

It was recommended that Members discuss how best to proceed with the recommendations made following the self-assessment.

In doing so we noted the following points:

- Members agreed that it would not be necessary to hold a pre-meeting prior to meetings, but an occasional informal meeting may be beneficial. Members were invited to make proposals for such meetings if they considered it appropriate.



## **MONMOUTHSHIRE COUNTY COUNCIL**

### **Minutes of the meeting of the Audit Committee held at County Hall, Usk, On Thursday 16th July 2015 at 2.00 pm**

- Training on the Terms of Reference of the Committee, and the role of Audit Committee Members, would be discussed with Democratic Services. WAO would be able provide relevant training.
- Members discussed the proposal that the terms of reference of the Committee should be extended to allow the Committee to invite feedback from Scrutiny Committees. It was agreed that requesting reports as a matter of routine would not be desirable, but the Committee would continue to invite Chairs of Scrutiny Committees, or others, to attend Audit Committee meetings were there particular concerns.
- In terms of communication, the Chairman could receive agendas for all meetings, and have the opportunity to attend any Council meetings.
- The Chairman would discuss with officers how best to move forward in creating an Annual Report.

#### **12. AUDIT COMMITTEE FORWARD PLANNER**

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

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

We confirmed that the next meeting of the Audit Committee would be held on Wednesday 23rd September 2015 at 2.00pm.

**The meeting ended at 4.25 pm.**