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MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 8th March, 2018 at 2.00 pm

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

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

OFFICERS IN ATTENDANCE:

Mark Howcroft	Assistant Head of Finance
Andrew Wathan	Chief Internal Auditor
Peter Davies	Chief Officer, Resources
Tracey Harry	Head of People and Information Governance
Will McLean	Chief Officer for Children and Young People
Wendy Barnard	Democratic Services Officer
Paul Keeble	Traffic and Network Manager
Stephen Baldwin	Project Engineer (Structures), Highway & Flood Management
Sian Hayward	Digital and Technology Manager
Richard Jones	Policy and Performance Officer
Nikki Wellington	Finance Manager

APOLOGIES:

County Councillors P. Clarke, B. Strong and M.Feakins

1. Declarations of Interest

Item 10: County Councillor A. Easson declared a personal, non-prejudicial interest as a Governor of Ysgol Gymraeg Y Ffin.

2. Public Open Forum

3. To confirm minutes of the previous meeting held on 11th January 2018

The minutes of the previous meeting held on 11th January 2018 were confirmed as a true record.

4. To note the Action List from 11th January 2018

• Implementation of Internal Audit recommendations:

The Children and Young People Finance Manager attended the meeting to provide an update on implementation of audit recommendations in schools. It was explained that in respect of the thirty six outstanding audit recommendations not implemented, twenty five have now been implemented and one is no longer relevant. One recommendation is ongoing and four are partially implemented.

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Five recommendations involving two schools (Secondary and primary schools) remain not implemented. In the secondary school, two (concerning inventories and asset management) are ongoing and will be completed by the end of the academic year and one regarding the audit of the school's private fund is in progress with the school's auditor and will be returned to the school's Finance Committee very soon. The two in the primary school have both been completed and concerned school meals debt which is being addressed and goods purchase orders processes - training has been provided for the new administrator.

It was explained that CYP Finance Officers visit schools and check audit reports but don't test implementation of recommendations but will speak to the Headteacher to ensure progress. Additionally, three new business managers have been recruited to work in the four clusters. Part of their role is to undertake verbal checking and some sampling to ensure the recommendations are in place.

The Chair asked if there was any evidence or concerns that recommendations are not being taken notice of and it was responded that CYP Finance and Schools have a good relationship with Internal Audit. There is some evidence that some implementation has not been as quick as it should have been and this point has been fed back to Headteachers. The Chief Auditor explained that if there is an unfavourable opinion, Internal Audit will return in 12 months to check if the recommendation has been implemented. For a more positive opinion, a revisit takes place in 3/4 years.

In response to a question, it was confirmed that two of the three new business managers are internal appointments funded by a grant from Welsh Government. One works in the Chepstow cluster, one in the Abergavenny area and one covers both Caldicot and Monmouth. The role involves providing support and development for school administrators and headteachers and concentrating currently on procurement.

Effectiveness will be measured every 6/12 months using benchmark criteria currently being developed. It was also confirmed that schools are encouraged to seek advice from CYP Finance and Internal Audit.

- **Contract Procedure Rules:**

The Chair confirmed that as agreed, he had written to three managers regarding non-compliance with Contract Procedure Rules

- 1) Abergavenny Hub: The proposed work was withdrawn and the replacement work complied with the Contract Procedure Rules in terms of procurement.
- 2) The Project Engineer (Structures), Highway & Flood Management attended regarding a Parsons Brinckerhoff (Consultancy Framework) regarding the A466. A written reply was provided and the opportunity to expand on the response was offered. It was explained that there were ongoing problems on the A466 and Parsons Brinckerhoff consultancy was used for various works from 2012. In 2016 there was a failure of the carriageway which happened after the consultancy framework had ended and was replaced by the National Procurement Service. The work was over the direct award of up to £25,000 and it was decided, for continuity, to keep working with Parsons Brinckerhoff for the realignment work. The exemption form was applied for, completed and signed but was not sent back by oversight. A Committee Member appreciated the urgent nature of the work but added that where exemption to CPR is involved, it is necessary that processes are completed immediately. The Committee accepted the explanation of an oversight.
- 3) Roadworks in Abergavenny: The Group Engineer, Highway & Flood Management attended to provide an explanation for the work related to the Public Realm Works in Abergavenny. The exemption was for the contract for Phase 1 to be extended for Phase 2 decided

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because of the quality, specialism and nature of the work. Alan Griffiths (Contractors) Ltd was the clear winner of the initial tender process for Phase 1 and it was felt there were benefits in extending the contract, especially because of their early involvement. By oversight, and with apologies, a sequential number was not applied for before signatories were obtained. To resolve the position, training from Internal Audit has been arranged to improve CPR exemption processes in the future.

A Member commented that inviting managers to Audit Committee provided a timely reminder for Officers to sharpen CPR processes.

A query was raised if there was a means to short circuit the CPR if there were circumstances such as the good performance on Phase 1 and when it is clear who will win the Phase 2 tender. It was responded that clear evidence of lack of competition is needed in the public procurement arena. Additionally, it was observed that the wording of contracts can be tailored where there are several phases or to recognise performance. The Officer explained that, in this case, there was no certainty of grant funding for Phase 2. Had this been the case, the contract would have been worded accordingly.

The Local Member for the Abergavenny Public Realm commented that the people of Abergavenny were delighted with the work.

- **Review of Reserves:** this information was circulated on 23rd January 2018
- **Joint Progress Report:** At the last meeting it was asked if there is a national system of three links for data security. The Head of Digital and Agile responded that back up discs are kept in the SRS and reassured that they are duplicates of those sent across the network to the Civic Centre in Pontypool daily. The duplicates are only kept in the SRS for convenience in the event of the need to restore data. In the future the back- up will be stored in the cloud.

It was confirmed that there is only one SRS with secure data storage capacity to a high level in Wales. Confidence was expressed that our information is secure. A Member recalled a letter from the minister about the creation of 3 centres similar to SRS but it was thought this had not happened.

- **Forward Work Programme:** It was explained that the Borough Theatre will transfer back to the authority at the end of March and will operate in house with some assistance from the local community. The Chief Auditor will report in summary to Audit committee in due course.
- **Events:** see item 15 at end

5. Information Management Review

Wales Audit Officers (WAO) attended the meeting to introduce the report which was to assess the progress made in information management arrangements in addressing issues identified in previous reports. It was concluded that arrangements were adequate but some need strengthening before the benefits can be realised. Officers were thanked for their interaction and engagement during the process.

The Head of People & Information Governance welcomed the WAO report and the commentary was accepted. The five proposals are fully accepted (1 and 3 are already completed). Regarding 4, it was noted that the Officer, following a management restructure, retains the Senior Information Risk Owner (SIRO) role but is not now a member of the Senior Leadership Team. However, she provided assurance that she had sufficient independence and seniority to challenge information governance.

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Regarding Public Sector Network (PSN), two items remain outstanding but are in hand and it is hoped to resubmit the application in May.

With regard to policies and processes, compliance with the General Data Protection Regulation (GDPR) is in progress.

It was confirmed that the Chief Executive would take responsibility for PSN accreditation and SIRO. It was agreed that the Audit Committee can be notified when the PSN application is completed, its success or need for resubmission.

The Committee noted the report.

6. MCC Audit Plan 2018

Wales Audit Officers presented the 2018 Joint Audit Plan and explained that the plan covers the audit of financial statements and performance audit.

In summary the following points were highlighted:

- Joint Progress Report: the outstanding recommendations will be revisited for compliance.
- City Deal will have a separate, central audit team but transactions appearing in our accounts involving Monmouthshire and the City Deal will be audited. Monmouthshire will have some responsibility for transactions on behalf of City Deal and it was noted that these will sit outside of the Council's accounts.
- Performance Management: changes to timetables will impact requiring faster closure of accounts and WAO will be working with the Finance Team to deliver this.
- Audits for Monmouthshire Farms Endowment Trust Fund and Welsh Church Fund accounts.
- Performance relating to national studies.
- Grants Claims work claimed from other agencies.
- WAO fees will be kept under review so that only work carried out is charged for. Refunds will be issued as necessary for example there will be less grant claims to audit.

The Chief Officer, Resources reported that the Council works closely and well with the WAO each year to co-ordinate efforts and resources.

A Member sought clarity in regard to the Joint Progress report that noted "vehicle additions not reflected in Fixed Assets; and disposed vehicles included in Fixed Assets". WAO Officers explained that this point was related to uncertainties at the time of the review regarding purchasing or leasing vehicles, also there was a time lag in the amendment of the register which did not record vehicles disposed of.

A Member questioned how the pension scheme is administered. It was responded that pensions are not included in the plan as there is a Gwent wide pension scheme which is audited accordingly. It was explained that there are moves towards an all Wales approach. The Assistant Head of Finance provided further information that Torfaen County Borough Council administrates the old Gwent region pension fund.

The WAO Officer commented on the performance work mentioned in the plan and advised that work will be carried out on the Wellbeing of Future Generations Act 2015. Some thematic work

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will be carried out but linked to national studies. WAO will discuss with the Council which elements will be covered.

The Policy and Performance Officer drew attention to Appendix 2 exhibit 9 and the outstanding work on the work programme. Progress will be reported to Audit Committee.

The Audit Committee noted the joint plan.

7. Certification of Grants and Returns

WAO Officers presented the Grants annual report.

In summary, it was explained that:

- WAO had certified claims worth £75m, and of these half were submitted on time. Those that were not on time missed the deadline by a few days only. This work cost £65,000. In net terms £124,000 less was claimed.
- One claim was **qualified** due to an ongoing police investigation. The Assistant Head of Finance explained that the police investigation was confirmed, and that there was an allegation of fraud which was raised in the return of review information to the WAO and it was added that the information was not available to us at the time of making the claim.
- In terms of timing, it was explained that some claims were a little late due to staff sickness absence and cover arrangements. It was agreed that the return date for forms would be reviewed and WAO contacted to see if there is any flexibility in extenuating circumstances.

It was emphasised that the change to review and certification processes for individual grants will result in less work going forward.

The Committee noted the report.

8. Wales Audit Office Proposals for Improvement Progress Report

The Policy and Performance Officer summarised the report and concluded by inviting questions.

Members acknowledged the comprehensive nature of the report commenting that it was a lot of work.

A Member asked for an update regarding the former Park Street School, Abergavenny which is a community facility run by the local community. The use of plain, accessible language in the report was welcomed. The Cabinet Member for Resources responded that the arrangement is working well and it is planned to continue.

Members were reminded that they can raise any matter by making a motion in advance. This approach ensures that appropriate and accurate responses can be provided.

The Local Member for Park Street updated that the community group is currently in discussion about the lease.

The recommendations in the report were agreed as follows:

- That members consider the current position of proposals and future actions being taken in response and identify any areas where they feel further action is needed.

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- That members refer on any issues contained within national studies to other committees for consideration where they identify there are findings of particular relevance to the council.

9. Internal Audit Draft Plan 2018/19

The Chief Officer presented the Draft Annual Plan 2018/19 which defines the work that will be undertaken by the Audit Team in the coming Year. The Appendix provides a detailed list by directorate of the audit work required but days have not been allocated at this point whilst priorities are determined. Nearly 900 days are available to be allocated. A further updated plan will be presented in May.

County Councillor A. Easson declared a personal, non-prejudicial interest as a Governor of Ysgol Gymraeg Y Ffin.

A Member referred to high risk elements in the plan and questioned, under Resources, if they were high value investment property acquisitions. The Chief Officer, Resources explained that the Council is in the process of developing a commercial strategy to sit alongside the asset management plan which will include an asset investment policy. Estates will work to identify suitable investments working with Finance and Internal Audit to ensure a robust approach to risk management and due diligence. A report to Council, preceded by scrutiny, will follow in May. A first draft has been considered by the Economy and Development Select Committee.

The Member asked if the council is looking to invest in high risk property and land. The Chief Officer, Resources, responded that there would be no investment in high risk property and land, only safe investment. The Chief Auditor gave the audit perspective, that its role is to ensure compliance with rules of sound financial management after the event but also to scrutinise the implementation of new systems. Audit will be working with the Chief Officer to determine the scope of this subject and this will be reported back in due course.

The recommendation that the Audit Committee reviews, comments on and shapes the early Draft Audit Plan with a view to receiving a more detailed plan by the end of the 1st quarter for approval was noted.

10. Internal Audit Progress Report 2017/18 quarter 3

The Chief Auditor summarised the Quarter 3 regular report on the performance of the Internal Audit Team to December 2017.

It was noted that the team added value by providing advice to operational managers. Considering the work finalised, assurances were given that team members' work has been completed but the review process has been delayed due to several sensitive special investigations that have taken up the time of the Chief Auditor and Audit Manager.

Feedback received is that clients have been pleased with the work undertaken. External review of Internal Audit's self-assessment is being undertaken by Neath Port Talbot. The outcome of this peer review will be presented to the Audit Committee in full.

A Member noted the number of special investigations and questioned if it would be possible to consider reducing the number of audits undertaken to align to capacity in the team to improve efficiency. The Chief Officer explained that it is preferable to complete as many opinion related audits as possible and allowance for special investigations is made in the planning process – e.g. an external person of suitable calibre has been engaged to relieve pressure on what is likely to be a lengthy special investigation, and will allow completion of more of the plan.

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It was confirmed that there are currently 5.4 staff reduced from a maximum staff of 12 in 2005.

The Committee accepted the progress report and noted the opinions awarded.

11. Forward Work Programme

The updated Forward Work Programme was noted.

12. To confirm the date and time of the next meeting as Thursday 12th April 2018 at 2.00pm

13. To consider whether to exclude the press and public from the meeting during consideration of the following items 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 Paragraphs 13 and 14 of Part 4 of Schedule 12A to the Act (Proper Officer's view attached)

The Committee resolved to exclude the press and public from the meeting during consideration of the following items 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 Paragraphs 13 and 14 of Part 4 of Schedule 12A to the Act (Proper Officer's view attached)

14. Events

This matter was deferred until the next meeting.

The meeting ended at 3.45 pm

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