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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, 24th May, 2018 at 2.00 pm

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

County Councillors: P. Clarke, 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	Deputy Chief Executive
Peter Davies	Chief Officer, Resources
Wendy Barnard	Democratic Services Officer
Terry Lewis	Wales Audit Office

### **APOLOGIES:**

Councillors

#### **1. Election of Chair**

Mr. P. White was elected as Chair.

#### **2. Appointment of Vice Chair**

County Councillor J. Higginson was appointed Vice Chair.

#### **3. Declarations of Interest**

County Councillors V. Smith, B. Strong and P. Clarke declared a personal, non-prejudicial interest as Governors of Usk Church in Wales Primary School in respect of Item 11: Implementation of Internal Audit Recommendations – 2016/17.

County Councillor A. Easson declared a personal, non-prejudicial interest regarding Item 4.8 Ysgol Gymraeg Y Ffin as he is a governor of the school.

#### **4. Public Open Forum**

No members of the public were present.

#### **5. To confirm minutes of the previous meeting held on 8th March 2018**

The minutes of the meeting held on 8<sup>th</sup> March 2018 were confirmed and signed by the Chair as a true record.

#### **6. To note the Action List from 8th March 2018**

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The Action List from the last meeting was noted.

### **7. Audit Committee Annual Report 2017/18**

The Audit Committee Annual Report, which provides an overview of the last year's work was presented. The report is written by the Chair with the Chief Internal Auditor.

It was agreed that the report was a fair account of the work of the Committee.

The report was noted and it was agreed that it should now be presented to Council.

### **8. Unsatisfactory Audit Opinions**

The Chief Auditor presented the regular 6 monthly report to the Audit Committee of unsatisfactory audit opinions issued across all County Council services. The opinions arise from work undertaken by the Internal Audit team to assess the adequacy of the internal control environment, apply a rating and provide an update on previously reported matters that have been followed up.

Referring to the report, the Chief Auditor provided details of historic opinions back to 2014 and noted that where an improved opinion has been given it demonstrates that managers have taken on board the recommendations. They have made changes to their systems to provide better financial management in that service therefore provide a greater degree of assurance. Some matters are carried forward to the following year to allow managers sufficient time to implement improvements.

The Committee's attention was drawn to compliance with the Bribery Act 2010 as a second Limited opinion has been awarded. It was recommended that the Committee may wish to call in the responsible officer to seek assurance that progress has been made and actions taken to address the identified shortcomings.

The Chief Officer, Resources agreed it was appropriate for the Committee to challenge this matter as the recommendations have not been suitably and sufficiently advanced. It was explained that there are two key areas to address within:

- People Services concerning some weaknesses in Induction processes; and
- Procurement concerning the updating of Contract Procedure Rules

Regarding People Services, work is planned but has not yet been implemented and acted upon hence the second Limited opinion.

In terms of Procurement, this area was added to the Chief Officer's portfolio of responsibility approximately 12 months ago. The Head of Service responsible has concentrated on the corporate landlord role and also procurement savings. A procurement strategy will be reported to Council in the near future. The new strategy will generate a programme of work to deliver savings and wider benefits.

Clarification was provided that this matter is to do with compliance with the Act rather than allegations of bribery. Assurance was received that the matter is being taken forward and it was agreed that appropriate officers would be invited to a future meeting to provide a progress report on either 5<sup>th</sup> July or 13<sup>th</sup> September 2018. It was agreed that further evidence of compliance with the Bribery Act 2010 would be required by the Committee to address concerns.

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In 2017/18 there were 8 limited opinions (from 30 opinions awarded) and will be followed up in 2018/19. The opinions and reasons given are detailed in the report.

County Councillor A. Easson declared a personal, non-prejudicial interest regarding Item 4.8 Ysgol Gymraeg Y Ffin as he is a governor of the school.

A Member questioned if the problem with Youth Service bank accounts was a new or historic problem referring to a previously reported matter. It was responded that the current matter is separate from individual groups. It refers to the historic setting up of a bank account that was highlighted in the course of an audit.

A Member asked, when a vehicle is being fuelled, if the mileage is checked. It was explained that this should happen but tends not to be carried out routinely. It was queried and responded that it is a recommendation that the Manager implements this process. The use of fuel cards relies on the drivers and ultimately the card can be withdrawn for non-compliance. It was agreed that Managers must emphasise the conditions of using the card with users. An action plan has been developed with the Manager, the matter will be followed up in 2018/19 and if there is a lack of response, it will be reported to Audit Committee. In response to a question, it was confirmed that fuel cards are generally for the council fleet with a few exceptions. The fleet vehicles tend to be fuelled in council depots and the cards are used as a fall-back arrangement.

It was questioned if there was a rising trend of unsatisfactory opinions and responded that the checking process is the same, is prioritised and is within professional standards, but it is not usually a like for like comparison.

It was queried and confirmed that the peer review of public sector internal audit standards carried out by Neath Port Talbot will be presented to Committee.

#### **9. Annual Governance Statement**

This matter was deferred and will be considered at the next meeting. The Annual Governance Statement will be sent out to Members for comments within the next two weeks before being included in the draft accounts.

#### **10. Implementation of Internal Audit Recommendations**

The Chief Auditor introduced the report, the purpose of which is to present an update on the progress of implemented and agreed audit recommendations to address weaknesses discovered in audit jobs in service areas. Opinions are agreed according to the number of weaknesses and strengths identified in the audit. Where weaknesses are identified, an action plan of recommendations is agreed with the manager with the purpose of improving overall financial management and the internal control environment.

Committee members were reminded that in 2015/16 97% were agreed by Managers to implement; the percentage for 2016/17 was 96%. Audit will follow up to double check implementation.

Car park income and outdoor education were areas highlighted as areas where recommendations had not been implemented. It was agreed to recirculate Appendix D that provided details of 3 significant audit recommendations not implemented in outdoor education, benefits and community meals. It was agreed to provide further detail on recommendations agreed with Managers and not implemented outside the meeting.

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A Member drew attention to Appendix C, there were 11 recommendations for implementation for refuse and garden waste (all implemented) and questioned what the relevance of the implementation requirement. The Member also asked for further information about the implementation of recommendations for County farms. A response will be provided in due course.

A Member asked for clarification about the recommendations not implemented, querying if they were agreed by the manager first and not then implemented. If so, what follow up takes place.

It was confirmed that if there is an overall unfavourable opinion, this is revisited in the follow up review. If found to be more favourable, there will be a 6 month review, and will be carried forward, chasing progress with managers as required. Where there are issues, these can be brought back to Audit Committee.

A Member expressed concern about recommendations agreed and not implemented by Managers in view of the amount of work undertaken by the Internal Audit Team. It was confirmed that reports are sent to Senior Leadership Team Agreed and all Heads of Service. Follow up reports also go to Heads of Service to raise responsibility to Directorate level. In response to a question, it was explained that elected members are involved when a manager is asked to attend Audit Committee. The Chief Officer, Resources, will liaise with the Chief Auditor to facilitate escalation to the relevant Head of Service for non-implementation of unsatisfactory opinions.

In response to a question about the high proportion of recommendations not implemented in Finance and Leisure, some detail is included in the appendix but a note will be added to record which directorate the job is related to provide further information.

The Assistant Head of Finance will seek further information about recommendations not implemented in Finance areas thought to be related to system changes. Regarding the seriousness of those not implemented, there are 3 significant issues, and an undertaking was given to provide further information. The higher risk elements were in relation to Benefits, Outdoor Education and Community Meals

The recommendation that Audit Committee considers this report, identifies any concerns of non-implementation of audit recommendations and considers where appropriate calling-in any managers for further explanation as to why the implementation of actions has not been as productive as expected was noted. It was also noted that overall, non-implementation of audit recommendations has not led to a significant risk to the Council.

#### **11. Forward Work Programme**

The Forward Work Programme was noted.

#### **12. To confirm the date and time of the next meeting as 5th July 2018**

#### **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 the Schedule 12A to the act (Proper Officer's view attached)**

It was resolved 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,

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as amended, on the grounds that it involves the information as defined in Paragraphs 13 and 14 of Part 4 of the Schedule 12A to the act (Proper Officer's view provided).

#### **14. Events Update**

The Committee reviewed and confirmed the accuracy of a confidential file note of a Special meeting held on the 18<sup>th</sup> December 2017 subject to a check back through the record to verify the accuracy of one sentence which was subsequently confirmed as accurate.

As per the report recommendations, the Committee considered the outcome of the independent Events review; and considered the forward plan for Events and provided input to inform a Cabinet paper for future decision making.

**The meeting ended at 4.00 pm**

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