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## MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held  
at The Council Chamber, County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 8th  
November, 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,  
M.Lane, S. Woodhouse and V. Smith

### **OFFICERS IN ATTENDANCE:**

Nicola Perry	Senior Democracy Officer
Mark Howcroft	Assistant Head of Finance
Andrew Wathan	Chief Internal Auditor
Peter Davies	Chief Officer, Resources
Terry Lewis	Wales Audit Office
Richard Jones	Performance Manager
Lesley Russell	Accountant
Matthew Gatehouse	Head of Policy and Governance

### **APOLOGIES:**

Councillors J.Watkins

#### **1. Apologies for Absence.**

#### **2. Declarations of Interest.**

No declarations of interest were made.

#### **3. Public Open Forum.**

No members of the public were present.

The Chair opted to change the Agenda order and brought forward Item 10 – Action List.

#### **4. To note the action list from 13th September 2018.**

The Chair felt that the Action List would be relevant at the beginning of meeting to allow Officers to answer outstanding queries and they then have opportunity to leave. The Chair confirmed that as a general rule the Action List will be at this stage in the meeting.

The Action List from the last meeting was noted.

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1. **Officers to attend re Compliance with Bribery Act** - a substantive update will be provided at the next meeting.
2. **To seek comparison with other councils in Wales regarding the increase in school budget deficits and reduction in total school budget surpluses.**

A Verbal update was provided by Wales Audit Office. Councillor Murphy confirmed that the information was already available in-house in the education section and the schools that are in deficit have an actively managed recovery plan.

Councillor Easson asked if there was any correlation between overall school deficits across the 22 authorities in Wales in relation to the settlement grant from the WG and what proportion of each council's commitment to the school varies across Wales. Wales Audit Office confirmed that it was very complex and had not been covered in the work they had done.

The Assistant Head of Finance gave context stating that Welsh Government expects Local Authorities to agree upon the level of resourcing. He explained that with regard to funding for a school child, in terms of primary level Monmouthshire was sixth in the list of 22 authorities, and in relation to secondary schools we were 19<sup>th</sup>. This might explain the pressure within the secondary school sector but not of primary school.

3. **To provide more detail in Quarter 2 report in response to identified training need**

The Assistant Head of Finance confirmed that for future reports, rather than give summary movements, he would capture the extent of approval given for Members to better understand the consequences.

4. **Provide scrutiny refresher training for Select Committee Members** – Scrutiny Manager to attend next meeting to give an update.

#### 5. CPR Exemptions 6 monthly update

The Committee were presented with a report and asked to consider the adequacy and appropriateness of the exemption process from the Authority's Contract Procedure Rules since the last report in November 2017. Also, to inform the Audit Committee of the number of exemptions requested by operational managers and to identify any non-compliance with the process or adverse trends.

Since information had been requested over the last seven years there has been 259 requests for exemptions and Appendix 2 shows detailed individual requests.

A Member commented that we need to ensure we get the appropriate responses as and when asked for and to see what happens in six months. No one should avoid making the response.

In terms of the work going on with regards to procurement and the sharpening up of rules it was asked if pressure could be put on senior management to ensure that the

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officers did not have to be in the position of chasing up and a response should also be given even if the exemption no longer required. In response the Chief Internal Auditor explained that it is now on the management induction programme to make managers aware of the processes they need to follow. SLT have also been informed.

The Chief Officer added that SLT is aware of the importance of reinforcing the process and ensuring the message is passed to their respective management teams He added that the processes in place are robust but appropriate and they are looking to bolster the resourcing capacity to take forward the strategy.

A Member highlighted that the matter of procurement and extensions of exemptions has been a matter brought to this committee on numerous occasions and asked how many more times it will be brought before the Audit Committee, and what confidence is there in what is being assured is being put into practice.

The Chair concluded that a presentation has been given to the committee on the topic. He did state, however, that the list of unresolved or non-return forms was longer and broader than first thought and sought clarity around follow-up items. The Officer responded that he would investigate further and report back in December. He considered it fit for purpose but could review at any time, and welcomed suggestions

**To conclude, the Audit Committee resolved to accept the recommendations:**

**That the Audit Committee accepts and acknowledges the justifications for the exemptions provided by operational officers.**

**If the justifications are not accepted, then consideration should be given to calling in the respective operational officer and their respective Head of Service to further account for the reasons why they could not comply with the Council's Contract Procedure Rules at the time of the procurement.**

**That the Audit Committee receive an updated report in 6 months to include any further responses obtained by the Chief Internal Auditor.**

#### **6. Mid Year Treasury Report 2018/19.**

Audit Committee received a report to provide an interim mid-year update on treasury management activity for 2018/19 in accordance with the Authority's Treasury Management Strategy Statement for 18/19.

The Senior Accountant for Treasury & Fixed Assets confirmed that the Prudential Code has been updated as per the report. She also stated that the Assistant Head of Finance is preparing a report on the background to the capital strategy which will be presented in the new-year for Members' approval.

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The Assistant Head of Finance explained that with regards to the commercial investment that came via full council for consideration, the primary requirement is that the return from investment, whether it be by renting out or the annual income derived from it, has to be more than the borrowing costs associated with it. Therefore in the situation where there is no return, those would be considered investments that fail the test of reasonableness and an investment committee would not take them forward.

It was noted that the Welsh Church Fund and the Monmouthshire Farm School Endowment Trust had proved positive with regards to pooled investments. The Officer commented that an important consideration with pooled funds is that you need to commit over a three to five year period as market can go up and down.

In response to a question, officers anticipated that the decisions of the investment committee will be reported through the Select route, likely to be Economy and Development Select Committee. A report would be expected annually and in conjunction with the end of the financial year.

#### **The Committee resolved to accept the recommendations:**

**That Members review the treasury management activities in the first half of 2018/19 using this report and discuss with Officers any changes to the process that should be considered for incorporation into the 2019/20 Treasury Management Strategy Statement.**

**To agree and recommend that Council amends the wording in Table 2 of the 2018/19 Treasury Management Strategy – ‘Approved investment counterparties and limits’, so that Pooled Funds can be used to increase investment income as in Point 3.14.**

#### **7. Internal Audit Progress Report 2018-19 - Quarter 2**

The Audit Committee received the report to consider the adequacy of the internal control environment within the Council based on the outcomes of audit reviews and subsequent opinions issued to the 30th September 2018. Also, to consider the performance of the Internal Audit Section over the first six months of the current financial year.

County Councillor Easson declared an interest as a governor of Ysgol y Ffin School

Members were pleased and encouraged by the report.

With regards to the Agri Improvement Scheme, the scheme is still continuing but coming to its end stages.

#### **The Committee resolved to accept the recommendations:**

**That the Committee note the audit opinions issued.**

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**That the Committee note the progress made by the Section towards meeting the 2018/19 Operational Audit Plan and the Section's performance indicators at the 6 months stage of the financial year.**

### **8. Overview of Performance Management Arrangements.**

The Committee received a report to ensure that members understand the Council's performance framework, and to present an update on the current effectiveness of the authority's performance management arrangements.

Discussion around the completion of staff appraisals took place and the Policy and Performance manager stated this is being worked on so they can accurately report on the numbers being completed. They are also looking at possible alternative arrangements using voting buttons.

The Chair requested that a figure be supplied to the Committee. The Chief Officer for Resource confirmed the action would reside with him and he would provide a response back to the committee.

The Chair asked the committee if they were satisfied with the overall level as most of the reports were adequate which is not unsatisfactory but is there an ongoing strategy to raise these levels

A Member suggested that it may be helpful to receive previous years' outcomes, to see where we are at in the process and to measure our current performance. The Policy and Performance Manager agreed to take this on board for next report.

**The Committee resolved to accept the recommendations:**

**That members use the update provided to inform their understanding of the effectiveness of the operation of the authority's performance management arrangements and identify any areas where they feel action needs to be taken or further information provided.**

### **9. Progress Report: Wales Audit Office Proposals for Improvement.**

A report was presented to provide Audit Committee with an update on the authority's progress against the Wales Audit Office (WAO) proposals for improvement up to 2018 so that the committee can assure itself of the effectiveness of the authority's response to any identified weaknesses in its processes.

Members commended the work of officers in linking the corporate plan and the medium term financial plan together with the current budget deliberations.

We noted a correction to the statement page 11 of the report, which read:

*"Members of the Council are entitled to attend any formal meeting of the Council, its committees or sub-committees or the Cabinet. Where they are not a Member of that body, their attendance and right to speak is at the discretion of the Chair of the body."*

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Councillor Easson felt the second use of the word attendance was a contradiction and ought not to be in the statement. Councillor Murphy responded that the attendance of a cabinet member is normally requested by the chair. Officers will check the wording matches the appropriate code.

#### **The Committee accepted the recommendations:**

**That members consider the current position of proposals and future actions being taken to address them seeking assurance that adequate progress is being made.**

**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.**

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

The minutes of the meeting of Audit Committee held on 13<sup>th</sup> September 2018 were approved and signed by the Chair.

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

Noted.

#### **12. To confirm the date and time of the next meeting as 20th December 2018 at 2.00pm.**

It was decided that the next meeting be cancelled due to lack of business, and therefore the next meeting would be held on Thursday 31<sup>st</sup> January 2019 at 2pm.

**The meeting ended at 3.30 pm**