

MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of the Audit Committee held at County Hall, Usk,
On Thursday 22nd October 2015 at 2.00 pm**

PRESENT: Mr. P. White (Chairman)

County Councillors: D. Batrouni, P. Clarke, G. Down, D. Edwards, A. Easson, R.J.C. Hayward, J. Higginson, P. Murphy and J. Prosser

ALSO IN ATTENDANCE:

County Councillor V. Smith

OFFICERS IN ATTENDANCE:

J. Robson	- Head of Finance, Section 151
D. Jarrett	- Accountant, Business Support & Financial Accounting
N. Wellington	- Finance Manager, CYP Directorate
D. Walton	- Audit Manager, Internal Audit
J. Davies	- Team Leader, Business Support & Financial Accounting
S. Hayward	- Digital and Technology Manager
A. Evans	- Customer Relations Manager
R. O'Dwyer	- Head of Property Services
R. Hoggins	- Head of Operations
S. James	- Strategic Procurement Manager
N. Perry	- Democratic Services Officer

OTHER ATTENDEES:

Mr. S. Wyndham	- Wales Audit Office
Mr. M. Lewis	- Director, SRS

1. APOLOGIES FOR ABSENCE

We received apologies for absence from County Councillors P. Jordan and B. Strong.

2. DECLARATIONS OF INTEREST

It was agreed that declarations of interest would be made under the relevant item.

3. PUBLIC OPEN FORUM

There were no members of the public present.

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4. MINUTES

The minutes of the Audit Committee meeting held on Wednesday 23rd September 2015 were confirmed as a correct record and signed by the Chairman. In doing so it was noted that County Councillor Batrouni had requested an update on the item raised by a member of the public at the Audit Committee meeting held on 16th July 2015. The Head of Finance advised Members that there was nothing further to report at the current time, and officers would continue to seek a response.

5. ACTION LIST

We noted the action list from the meeting dated 23rd September 2015. In doing so it was felt that the following items were outstanding:

- Further information was requested regarding the Raglan Site, and total rent received from the site. There were concerns that the information had not been forthcoming **(ACTION – MH/JR)**.
- A detailed breakdown regarding the profits generated through retail markets had been requested. Unfortunately the attachment in the email response had not been accessible. **(ACTION – MH/JR)**.
- Referring to the comments made regarding the redundancies at Deri View, the Finance Manager confirmed the information would be provided following the meeting **(ACTION – NW)**.
- The inventory of museum exhibits as stated in the accounts remained outstanding. It was suggested that if the inventory was unavailable the accounts may be incorrect. The Head of Finance explained that the information was not held in the Finance Department but its provision would be followed up.

6. SRS STRATEGY REPORT AND UPDATE ON WAO RECOMMENDATIONS

County Councillor P. Murphy declared a personal, non-prejudicial as the Monmouthshire County Council representative on the SRS Public Board

We received a presentation from the Director of Shared Resource Service (SRS). Prior to the presentation we were updated on SRS position in relation to the WAO recommendations made in July 2015;

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Recommendation 4 – Is the service good value for money?

A benchmarking process had been undertaken against 12 organisations including a shared service, a police authority, a bank and public sector organisations. A report providing the detail could be forwarded to the Committee.

Recommendation 2 – Strategic Review of SRS

25 different areas in the strategic review covered items such as culture, service level agreements, performance measures and cost changes. The document could be circulated to the Committee.

Recommendation 3 – Governance of SRS

Final recommendations would be brought to the next Board meeting, including any recommendations from the WAO review. The public board paper could be circulated to the Committee.

Recommendation 1 – SRS Strategy Document

The final recommendation questioned where and what SRS were doing, moving forward. A strategy day had been held with numerous council members, heads of service, frontline service staff, as a peer check. The strategy was presented to the Committee.

Following the presentation Members were invited to comment, during which time the following points were noted:

A Member questioned if there was mention of 3rd Sector organisations, particularly if there was more talk of services being devolved out of Local Authority into Town Councils and other organisations. These organisations may not have the budgets or capacity to cope. The issue of security was also raised. In response the Director of SRS explained that with regards to the 3rd Sector organisations, the platform would provide access to CAB or EAS, allowing a corporate feel for the system. The Cloud based system would allow everyone to work together, regardless of where they were based. With regards to security we were informed that the platforms were secure and compliant ISO2700 systems, where security layers could be added where needed.

Concerns were raised surrounding the reliability of the service, particularly in the case of accessibility from home. Questions were raised regarding VPN issues and what could be done to aid the processes where VPN dropped out. We were informed that typically where there were issues in the home it was a broadband or wireless router issue. In terms of accessibility, to provide a 24 hour or out-of-hours service costs would in excess of £30,000 to have people on call. Other technologies could be looked into where connection would take place automatically without the need of a VPN password.

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A Member requested further detail on how far the service had taken expansion into other organisations. We heard that all 22 authorities across Wales were interested in being involved and SRS were looking to add the Police into the same platform.

The Strategy Day had involved over 70 people where Monmouthshire County Council had had a large voice including Chief Officers, Heads of Service and 2 Council Members.

It was questioned what the impact would be if the 5 Local Authorities merged as a Greater Gwent. It was explained that the aim of SRS was to provide the service to whoever wanted to be on the platform.

A member questioned if the service was in the right place politically. The Director of SRS assured Members that the service wished to grow to be the provider for the Gwent footprint, and its aims were to provide a service and reduce costs across the public sector.

Members suggested a workshop, rather than a seminar, be arranged to discuss the intricacies of the intentions of SRS.

The Chairman thanked Mr. Lewis for the presentation and noted that information would be despatched to Committee Members.

7. WELSH CHURCH FUND ANNUAL ACCOUNTS

County Councillor D. Edwards declared a personal, non-prejudicial interest as a Member of the Welsh Church Fund.

We were presented with the audited set of accounts providing external audit with an opportunity to highlight any issues.

Members were invited to comment, during which time the following points were noted:

A Member noted that investment income was around £220,000, nearly £118,000 expended in grants, and questioned, who determines how the surplus is distributed. The Head of Finance explained that as trustees for the fund, Cabinet makes the decision on what to distribute to other authorities. As the performance of the fund improved, adjustments were made to the budget.

We heard that there was a 5% return on income generation.

The Committee resolved to note and accept the report

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8. MONMOUTHSHIRE FARM SCHOOL ENDOWMENT TRUST ANNUAL ACCOUNTS

County Councillors D. Edwards and A. Easson declared a personal, non-prejudicial interest as a Member of the Monmouthshire Farm School Endowment Trust.

We were presented with the audited set of accounts providing external audit with an opportunity to highlight any issues.

It was highlighted that it would be useful for the Council to negotiate with the Roger Edwards Trust to arrange an earlier audit. The Finance Manager agreed that the Roger Edwards Trust was a significant income to MFSET and that it had been received late. The Finance Manager would communicate with Roger Edwards Trust on behalf of the trustees to ask for earlier distribution of income.

The Committee resolved to accept and note the report.

9. MID YEAR TREASURY OUTTURN REPORT 2015/16

We were presented with a report providing information on Prudential Indicators and a Treasury Management Strategy Statement. The CIPFA Code of Practice on Treasury Management recommends that members are informed of treasury management activities at least twice a year.

Members were recommended to note the results of treasury management activities during the first half of 2015-16.

During discussion the following points were noted:

In terms of long-term borrowing, would we be taking advantage of currently low interest rates. We were informed that officers were currently in discussion with treasury advisors to ensure best processes were followed.

With regards to increasing investment return it was explained that any higher return would come with associated risk and in line with the strategy set up at the start of the year, it was the best available at the time. The Head of Finance explained that trusts were kept very liquid and therefore had little return in terms of rates.

It was explained that the term 'cost of carry' referred to the cost of long term borrowing in the accounts.

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10. INTERNAL AUDIT PROGRESS REPORT QUARTER 2 2015/16

The Committee received a 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 2015.

Members were recommended to note the progress made by the Section towards meeting the 2015/16 Operational Audit Plan and the Section's performance indicators at the six months stage of the financial year.

We heard that the vacancies for Principal Auditor and Senior Auditor positions had now been filled.

The Committee resolved to accept the report.

11. UNSATISFACTORY AUDIT OPINIONS

We received a report in order to update Members on the progress of Unsatisfactory / Unsound audit opinions issued since 2012/13 by the Internal Audit team.

It was recommended that the Audit Committee note the improvements made by service areas following the original Unsatisfactory / Unsound audit opinions issued, or if the Audit Committee are concerned about any of the audit opinions issued or lack of improvement made after the follow up audit review, consideration be given to calling in the operational manager and the Head of Service to provide justification for lack of progress and hold them to account for future improvements.

We heard that numbers of unsatisfactory opinions remained relatively low but there were areas requiring attention. In 2014/15 there was an increase to 6 unsatisfactory opinions, 2 of which had been previously brought to Audit Committee.

There had been a range of problems identified in the audit of the Passenger Transport Unit, including budgetary control, procurement of vehicles and maintenance contracts, pricing of private hire agreements and debt recovery. It was noted that the Passenger Transport Manager had previously addressed the Committee regarding the procurement of vehicles, and it was suggested that Internal Audit would return to assess if recommendations made by the Committee had been taken on board as part of their follow-up work. A Member highlighted that invoices were not being despatched in an appropriate time. The Head of Operations advised that the standing debt issue had been addressed and the department now operated on a 'pay before the service is delivered' basis.

The Chairman suggested that it may be appropriate for the Committee to invite the Officers to provide assurance at a future date. The Head of Operations confirmed that he could arrange for a further report to be provided.

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A Member highlighted that passenger transport was an external commercial service in competition with the private sector and it was important to consider that the service did not have to think about obtaining finance and cash flow. It was a concern that going forward the service could be competing with private sector companies and could therefore be putting sound companies out of business.

The Chair concluded that the PTU would be invited to provide an account of action taken as a result of internal audit recommendations. **(ACTION – RH/RC).**

The Internal Audit Manager advised that another area of concern had been the Procurement function. At the time of the review the links between departments and the Strategic Procurement Team were variable. A procurement fitness check carried out by KPMG had given Monmouthshire County Council a procurement maturity score of 31%. It was noted that the Council was operating with a low level of procurement staff, and that the 5 year Procurement Strategy expired at the end of 2013.

The Strategic Procurement Manager advised the Committee that the following improvement steps had been taken:

- Service Improvement Plan addressed issues
- Creating additional resilience in devolved procurement areas
- Meetings held on a bi-monthly basis
- Working towards a new procurement strategy to take forward to 2019/20
- Creating buyers guides
- Creating contract forward plans

Members felt that Cabinet should take responsibility for the lack of staff in the procurement area. More staff on the team would save the Council money and was therefore a false economy. The Cabinet Member explained that the Council were in collaboration with the Welsh Purchasing Consortium, and had been in collaborations with other Local Authorities to expand on resilience.

The Head of Property Services advised the Committee that since the commencement of the report, the Strategic Procurement Manager had created a business plan incorporating all the recommendation alluded to in the report. A key feature of delivering the recommendation was to establish a Procurement Network which had been in place since January 2015. It was felt that a core of 2, along with the procurement network, provided the optimum performance.

Members suggested that the recommendation of the Committee be that the Audit Committee note the improvements made by service areas following the original Unsatisfactory / Unsound audit opinions issued and that the Audit Committee had concerns about some of the audit opinions issued or lack of improvement made after

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the follow up audit review. Consideration be given that we call in the Operational Manager and the Head of Service to provide justification for lack of progress and hold them to account for future improvements.

It was agreed that Officers would be invited to provide assurances to the Committee that recommendations were being actioned.

The Audit Manager advised the Committee that Llandogo Primary School was now going through a closure process and hence, unlike the other areas covered in this report, no follow-up work would be undertaken there. The Llandogo audit had noted that Governors at the time had not confirmed the budget and issues had been raised with dinner money income. It was explained that the dinner money debt would have transferred with the pupil, to another school.

Work carried out at the start of the audit had satisfied internal audit that nothing untoward had been going on and no money had been disappearing.

We were advised that the operation of the Monmouthshire Enterprises development fund was deemed inappropriate and in breach of the Authority's previous Financial Regulations (in place at the time the Fund was established). The Fund is now only used for limited purposes – collecting income on behalf of the residual ME services and reimbursing MCC budgets for relevant costs. However, a final decision was required on the winding up of the Fund and the redistribution of remaining balances to ongoing services.

Members commended Internal Audit for raising the issues. We heard that the development fund had been set up by a middle level manager. Financial irregularities had been picked up during the disciplinary process involving this former employee. Members suggested the matter should be brought to Committee on pink papers and considered it important for Officers to be invited to explain further. It was agreed that Julie Boothroyd and Ceri York of Adult Services be invited to a future meeting for a full and frank discussion.

12. WHOLE AUTHORITY COMPLAINTS REPORT 2014/15

The Customer Relations Manager presented the Whole Authority Report 2014/15 to provide Audit Committee with information on the number and types of complaints, comments and compliments received and dealt with from 1 April 2014 until 31 March 2015. The report also provided a summary of the number of Freedom of Information Act (FOI) requests received by the Council during this period.

Following presentation of the report Members were invited to comment.

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Members noted that staff conduct and communication were key areas. It was explained that where there were issues The Customer Relations Manager would approach the Heads of Service or Chief Officer to discuss.

It was noted that the number of complaints was not too much of a problem in relation to the number of residents in Monmouthshire, and was a much lower figure than those of neighbouring authorities.

We heard that responses were forwarded to Councillors where they were acting on behalf of a constituent.

The Committee agreed to accept and note the report.

13. PROPOSED CHANGES TO ACCOUNTS AND AUDIT REGULATIONS 2014

The Head of Finance presented a report to provide Audit committee with information on the Welsh Government consultation on the timescales for closing and auditing the authority's accounts

Members were recommended to provide comments to feed into a response to Welsh Government on the consultation documents in Appendix 1.

It was explained that proposals were to keep preparation deadlines as 30th June and publish accounts at 31st August from 2018/19. When newly emerged authorities were in place from 2020/21 the timescales would shorten to preparing a statement by 31st May and publishing by 31st July. Officers supported the proposal and were currently looking at meeting the 31st May deadline earlier than the proposed date.

Wales Audit Office advised that there could be an opportunity for Monmouthshire County Council to be considered as a pilot site.

14. AUDIT COMMITTEE FORWARD PLANNER

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

15. DATE AND TIME OF NEXT MEETING

We confirmed that the next meeting of the Audit Committee would be held on Thursday 3rd December 2015 at 2.00pm.

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Members were advised that a training session for the Role of the Audit Committee would be held at 2pm on Tuesday 10th November 2015.

The meeting ended at 4.40 pm.