

# MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of Audit Committee held  
at Council Chamber, County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 3rd  
December, 2015 at 2.00 pm**

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

County Councillors: A. Easson, P. Murphy, P. Jordan, B. Hayward  
and B. Strong

**ALSO IN ATTENDANCE:** County Councillor V. Smith

## **OFFICERS IN ATTENDANCE:**

Nicola Perry	Democratic Services Officer
Mark Howcroft	Head of Operations
Joy Robson	Head of Finance/Section 151 Officer
Andrew Wathan	Chief Internal Auditor
Hazel Clatworthy	Sustainability Community Officer
Matthew Gatehouse	Policy and Performance Manager
Richard Jones	Policy and Performance Officer
Will McLean	Head of Policy & Engagement
Scott James	Strategic Procurement Manager
Rob O'Dwyer	Head of Property Services and Facilities Management
	Steve Wyndham – WAO
	Mike Palmer - WAO

## **APOLOGIES:**

Councillors D. Batrouni, P. Clarke, G. Down and D. Edwards

### **1. Declarations of Interest**

There were no declarations of interest made by Members.

### **2. Public Open Forum**

There were no members of public present.

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

The minutes of the Audit Committee meeting held on Thursday 22<sup>nd</sup> October 2015 were confirmed as a correct record and signed by the Chairman.

### **4. To note the Action List from the previous meeting**

We noted the Action List from the meeting held on 22<sup>nd</sup> October 2015. In doing so the following points were noted:

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- The Head of Commercial and People Development was currently compiling a breakdown of special payments on a salary banding basis, and would forward to the Committee in due course. Members voiced concerns surrounding the continued delay in receiving the information.
- The issue raised by a member of the public at the meeting on 16<sup>th</sup> July 2015 remained outstanding.
- Responses via email, relating to actions, would be emailed to all Members of the committee.
- Passenger Transport Unit had agreed to address the Committee in January 2016.
- Monmouthshire Enterprises officers would address the Committee in January 2016.

Members were advised that the workshop suggested at the previous meeting would be arranged in the new year, all Members to be invited.

#### **5. Procurement Action Report**

We received a report from the Strategic Procurement Manager to update Members on the steps taken to address the recommendations of Internal Audit, with timelines, as discussed at the meeting on 22<sup>nd</sup> October 2015.

We were informed that many of the actions had been addressed in the Service Improvement Plan 2015/16 and would be addressed by the end of the financial year. Off contract expenditure had not been covered as it was considered there was a lack of resource to use the data. Also a bespoke set of procedural rules for schools had not been covered as it was considered they were covered with the current rules.

Following presentation of the information, Members were invited to comment.

A query was raised regarding the Councils policy not to ask for a performance bond to prevent contractors bidding at a low price. It was questioned if Officers thought it would be a good idea to use performance bonds for single contracts. In response we were informed that under collaborative arrangements it was asked what the requirements were under the scoping arrangements. With regards to contracts not in the framework agreement it would be down to individual officers to provide comment.

Clarification was required regarding the Internal Audit recommendation 10 - '*off contract expenditure and inefficient use of resource*'. The Chief Internal Auditor explained that this referred to the review of spending money not part of a contract and ensuring we were using staff resources efficiently to avoid duplication of effort.

It was noted that the report did not address the lower than average procurement score of 31%. In response, the Strategic Procurement Manager explained that an All Wales Maturity Model was set by KPMG, and another external audit of the procurement function was due to be carried out between January and March 2016 in order to assess MCC performance. Welsh Government had provided a guidance pack which could be forwarded to the committee if required.

A Member noted that there were only 2 procurement officers but support was provided through the Internal Procurement Network. It was noted that bi-monthly meetings were held with management with the highest spending cost centres.

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The Chief Internal Auditor expressed that the actions raised by Internal Audit had been addressed in part. It was important to support the network group and for Heads of Service to encourage attendance. The action plan addressed most of the concerns. It was noted that monitoring the off contract procurement was a key issue, It was key to ensure officers were compliant with contracts which it was felt had not been completely addressed.

With regards to schools, it was important for schools to comply with procurement rules. It was thought if schools did not have their own precedures, they could adopt our rules. It was noted that where schools were moving to work in clusters there would be more emphasis on collaborative buying.

It was agreed that it would be useful for Audit Committee to receive an update in 6 months, following the assessment.

### **6. Joint Progress Report 2014/15**

We received the MCC/WAO Joint Progress Report, presented by Steve Wyndham, in order to finalise the 2014/15 financial accounts.

Members were informed that the report followed the ISO260 report received in September, providing further detail. There were three sections to the report, being:

- Issues reported in the ISO260 report
- New issues - additional significant issues not included in the ISO260
- Small number of issues remaining from the 2014/15 report

The report had been agreed with officers and provided officer comment.

The report would be brought back to Audit Committee in June/July 2016.

Following the presentation Members were invited to comment.

The Chairman raised concerns that larger issues had not been raised at the time of the audit. We were informed that the issues had not impacted on the auditors' opinion and had therefore not been included in the ISO260 report. It was noted that any misclassification errors had been rectified. The Assistant Head of Finance informed the Committee that there would be a wide-scale review of the assets register in order to automate the process and avoid human error.

We resolved to note and accept the report.

### **7. Annual Audit Letter 2014/15**

The Committee received the Annual Audit Letter in order to formally close the 2014/15 audit.

Members agreed to accept and note the letter.

### **8. Proposal to revise the Policy on Minimum Revenue Provision (MRP) for 2016/17**

Members received a report from the Assistant Head of Finance in order to appraise the Audit Committee of an opportunity to revise the Minimum Revenue Provision Policy Statement for 2016/17 and to outline the budget consequences of the proposed changes.

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It was recommended that Audit Committee:

- Scrutinise the proposed change to the MRP Policy and if agreed endorse the submission of the revised Policy to Council for approval which changes the approach concerning the Minimum Revenue Provision on Unsupported Borrowing, moving it from an equal instalment basis to an annuity basis.
- To continue to work on reviewing the approach adopted concerning the Minimum Revenue Provision for supported borrowing, and bring back further proposals on the options available.

The differences between supported and non-supported borrowing detailed in the report, were highlighted to Members.

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

Members were interested to learn if the WAO supported the proposals. WAO officers advised that there was no guidance per se from WAO. The appointed auditor wished to make the Council alert to the factors to be considered if changing the MRP provision:

- Prudence
- Compliance with Statute
- Compliance with Future Generations responsibilities

The report had been provided to WAO for comment, who would report back in due course.

Members noted that the budget need to be set by 10<sup>th</sup> March 2015, and if this proposal was adopted the budget gap could be closed by in excess of £2 million. It was therefore considered urgent that we receive the WAO opinion.

Concern was raised regarding inflation effects on the proposal. Members were informed it related to interest rates rather than inflation.

Members questioned if other local authorities had adopted the principle. We heard that 12 LA's in England using the principle, and it was expected that 7 or 8 authorities in the South Wales area were looking at the proposals.

It was questioned if, in effect, it could be termed as borrowing, as it would be using capital money for revenue purposes, and there were concerns if this was statute. The Assistant Head of Finance explained that the requirement was to pay a minimum revenue provision on your capital financing requirement, which was a revenue cost. Members were concerned if that this was a capital cost used as a short term fix for a revenue problem. It was questioned if this was morally correct. The Assistant Head of Finance explained that even though he understood the point raised, one of the primary reasons for the proposal was to resolve the inequity.

It was questioned if the main purpose of the proposal was to solve the budget problems or the cash problem. In response the Officer explained that the principle may resolve both. In terms of prudent, meant realistic and appropriate, not necessarily conservative. This was in the guidelines of the capital regulations and was for the Authority to decide its approach. It was considered that the approach of annuity was a sound one and to not consider it would be remiss of the Council.

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The Head of Finance explained that there was a paper on the agenda regarding the Future Generation Evaluation, which should be taken into consideration. In terms of future impact it was important to look at what alternatives there were in order to continue services for future generations.

Wales Audit Office advised that they were aware of the paper and proposals and it was unfortunate that the paper had missed the timeline of the issued response. It was considered that the decision would remain with the Council providing that due process had been followed and compliance with statutory requirements. The fact that the paper had been to Cabinet the previous day demonstrated processes being followed. Until the letter had been issued it was not thought to be helpful to comment further.

A Member expressed that there was a clear benefit to accept the proposal and it was beneficial to endorse the recommendations in the report.

However, some Members expressed concerns and felt it was more appropriate to support the principle but to make clear that should the principle not be accepted we could withdraw our recommendation.

Therefore, the proposal that Audit Committee accept the recommendations, endorse the proposal and forward to Council. Upon being put to the vote the following votes were recorded:

- 4 for the proposal
- 2 against the proposal
- 0 abstention

#### **9. Contract Procedural Rules - Exemptions Report**

We received a report from the Chief Internal Auditor in order for Members to consider the adequacy and appropriateness of the exemption process from the Authority's Contract Procedure Rules since the last report in July 2015.

The report informed the Audit Committee of the number of waivers requested by Operational managers and identified any non-compliance with the process or adverse trends.

The report recommended that the Audit Committee accepts and acknowledged the justifications for the exemptions provided by operational officers. If the justifications were 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.

Members were advised that of the 6 requested exemptions, all had been returned to Internal Audit. All officers who requested an exemption would be reminded to return the form to Internal Audit by the Chief Internal Auditor. 3 out of 4 returned forms had been appropriately authorised. This was reassuring in that the managers who were aware of the process are following the correct process.

Following presentation of the report Members were invited to comment. It was suggested that going forward it would be beneficial to receive further detail as to why a specialist provider was preferred.

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Members resolved to accept the report.

#### 10. Progress Report - WAO Proposals for Improvement

Members received a report from the Policy and Performance Officer to provide Audit Committee with an update on the Authority's progress against the Wales Audit Office (WAO) proposals for improvement up to the end of October 2015.

It was recommended that Members consider the current position of proposals and future actions committed in response to the proposals and identify any areas where they feel further action needs to be taken or further information is required.

Following presentation of the report Members were invited to comment.

It was noted that Members had requested further information on SRS and it officers were asked if they agreed that there was more work to be done. The Policy and Performance Manager explained that there were specific governance arrangements in place and it was not appropriate to comment in detail. It was noted that SRS timescales were longer than any other monitoring reports. We heard that the arrangements for the Cloud were in infancy and benefits were still being evaluated. The governance arrangements for SRS were a matter for Gwent Police and were being updated and presented to the board that week.

A Member questioned if the funding for NEETS came directly to the Authority. Officers would look into this and report back to the Committee (**ACTION – MG**).

Members resolved to accept the report.

#### 11. Performance Management Arrangements

Members received a presentation from the Policy and Performance Officer to provide an update on the effectiveness of the authority's performance management arrangements.

Members were recommended to use the update provided to seek assurance on 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.

Following presentation of the report Members were invited to comment.

Members noted there were a mix of good and adequate levels, but understood that Officers were working to improve the levels.

Members resolved to accept the report.

#### 12. Wellbeing of Future Generations Act - WAO commentary on our preparedness

We received a background presentation on the Authority's preparedness of the proposed Wellbeing of Future Generations Act, from Mike Palmer of the WAO.

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We heard that the Wellbeing of Future Generations Act sets out, in law, what sustainable development means in Wales and places a wellbeing duty on most public bodies in Wales. It requires public bodies to carry out sustainable development by setting and publishing wellbeing objectives designed to maximise its contribution to achieving a set of national wellbeing goals.

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

A Member referred to the Summary of Findings and the paragraph '*However, at this early stage, there is a lack of consistency in message, understanding and approach, and key business processes are not being utilised to embed sustainable development. This is contributing to a disconnection between the Council's ambition and practice.*' and further in the report, bullet point 44, where it was stated that '*The Council's Conservative and Liberal Democrat Partnership Administration Continuance Agreement confirms the Council's commitment to sustainable development. But the Agreement does not take the opportunity to balance its references to the challenge of living within financial constraints, by highlighting a similar imperative to live within environmental limits. However, to put this in context, the output from a WAO stakeholder group noted that councils are not generally aware of environmental limits and that 'Monmouthshire is probably further along than others'.*' WAO were asked to expand on the references. In response, it was explained that point 44 referred to the stated ambition given in the improvement plan to place sustainable development as a central principle for the Council and the new opportunity to re-emphasize the message that sustainable development was about balancing all the books not just one. This then linked back to the item referred to in the Summary of Findings, given that this is a challenging agenda it was important to maintain consistency.

The report identified that there were areas of inconsistency which officers had been made aware of.

The Head of Policy and Engagement expressed that the benefit of this piece of work at this stage was that it highlighted that at a strategic level we were able to articulate the vision for Monmouthshire in a way that captured the four aspirations of the act. The WAO report had helped to ensure that the message was echoed across the organisation.

A Member expressed that this report linked with the earlier procurement report highlighting the importance of scrutiny.

The report recommended that Members note the content of the WAO report and that hat Members note and agree to the steps outlined in our response to the Next Steps.

We resolved to accept and note the report.

#### **13. To note the time and date of the next meeting as Thursday 14th January 2016 at 2.00pm**

Members noted the date and time of the next meeting as Thursday 14<sup>th</sup> January 2016 at 2.00 pm.

**The meeting ended at 3.55pm**