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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, 17th November, 2016 at 2.00  
pm

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

County Councillors: A. Easson, D. Edwards, B. Hayward, B. Strong  
and V. Smith

**ALSO PRESENT:** County Councillor V. Smith

### **OFFICERS IN ATTENDANCE:**

Mark Howcroft	Assistant Head of Finance
Andrew Wathan	Chief Internal Auditor
Annette Evans	Customer Relations Manager
Wendy Barnard	Democratic Services Officer
Richard Jones	Policy and Performance Officer
Sian Hayward	Digital and Technology Manager
Tracey Harry	Head of People and Information Governance

### **APOLOGIES:**

County Councillors P. Clarke, P. Murphy, P. Jordan and J. Prosser

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

County Councillor J. Higginson declared a personal, non-prejudicial interest under the Member's Code of Conduct as a member of the East Wales Valuation Tribunal.

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

There were no members of the public present.

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

The minutes of the Audit Committee held on the 15<sup>th</sup> September 2016 were confirmed as a correct record and signed by the Chairman.

#### **4. Urgent Item of Business**

The Chairman agreed to accept the following item of business in that it is a standing item that had been omitted from the agenda.

#### **5. To note the Action List from 15th September 2016**

We received the Action List from the meeting held on the 15<sup>th</sup> September 2016. In doing so, the following points were noted:

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- Chepstow School: The Chief Officer for Resources provided a summary of the response circulated to Committee Members regarding the issue raised by a member of the public, and questions raised by Councillor Easson.

The response regarding the first point regarding the reduction of FTE teaching posts at the school was accepted as satisfactory.

Regarding the decision to opt out of the HR services offered by the Authority in favour of engaging the services of Judicium Consulting Limited, a Member queried why two schools had decided on one company. It was added that whilst it was appreciated that Governors have the right to make such a decision, concern was expressed that this was gradual move towards academy status and a gradual erosion of the Authority's HR services which work very well with schools and members. It was suggested that the situation should be monitored.

With regard to the third point, the Member said that he was satisfied that remedial action had been taken and that appropriate advice had been provided for the future.

A Member queried if any savings have been made in the People Services Department given that two of the Authority's secondary schools had opted out of services.

In response to queries, it was explained that the resulting income shortfall is being managed internally adding that there are significant pressures on the People Services Team currently and savings are not being considered at this time. Members were made aware that there is a review of Corporate HR and also a review of the HR school support function. The latter in response to the decision of Chepstow School and Monmouth Comprehensive School to opt out.

Members were reminded that there are only two FTE HR Officers to provide support to the remaining secondary schools and all primary schools. It was explained that the purpose of the review is to explore if the service offered is fit for purpose, if the service is still offered, if schools want the service, and if the use of outside providers should be considered. The options will be considered in consultation with schools and conclusions will be drawn accordingly.

- Redundancy costs: The Chief Officer for Resources agreed to present the requested information at the next meeting, apologising that the report had been delayed due to pressures within the Payroll Team and added that a report will be presented to Cabinet to request investment in the Team.
- Non-domestic rates: The requested analysis was provided to the committee on the 21<sup>st</sup> September 2016. It was questioned what representations are being made outside the authority regarding the level of non-domestic rates in the County. In response to a query about increasing business rates, it was suggested that it would be appropriate for the Assistant Head of Finance (Revenues) to provide clarification regarding processes to facilitate rate valuations for private businesses separate to this meeting.
- Internal Audit Contract Procedure Rules – Exemptions: It was noted that this item would be considered at the next meeting as part of the regular six monthly review cycle.
- Internal Audit Charter: It was confirmed that the amendment requested at the last meeting, to specify two years as the review period, had been made.

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#### **6. Presentation on Public Sector Internal Audit Standards (PSIAS)**

Members received a presentation from Chief Internal Auditor on the Public Sector Internal Audit Standards (PSIAS).

The overall purpose of the PSIAS were explained as follow:

To provide assurance that the Chief Internal Auditor and Team are working in a professional, effective, efficient and consistent capacity.

To monitor compliance with standards through annual internal self-assessment together with external assessment every 5 years to ensure full compliance.

To report an audit opinion in an annual report to Audit Committee on the adequacy of the internal control environment, risk management and governance arrangements.

Following the presentation, Members were invited to make comments:

The essential nature of Internal Audit was acknowledged, and the link to the Wales Audit Office (WAO).

A Member thanked the Officer for the presentation, recognised that standards in the Authority are met and thanked staff accordingly.

Recognising the responsibility of Internal Audit to Senior Management and this Committee, it was queried whose responsibility it is to explain accountability to the Public. It was explained that the WAO will provide a view on individual authorities and will be in the public domain. It was explained that the role of Internal Audit is mainly to provide reassurance within the organisation. It was added that Chief Officers have Section 151 responsibilities to ensure good governance and stewardship, and to report any shortfall to the electorate.

It was added that Audit Committee reports are in the public domain including the annual report, unsatisfactory audit opinions and the externally audited accounts.

#### **7. Corporate Assessment Follow-on Review - Information Technology**

The Wales Audit Office (WAO) Report 'Information Technology – Corporate Assessment Follow-on Review' was presented. In doing so, it was noted that this report is on the Monmouthshire County Council website and therefore is available for members of the public to read.

It was concluded in the report that the Council has made progress in some areas, but the overall arrangements for managing IT services are disjointed and do not adequately allow the Council to demonstrate good governance, value for money or impact. The conclusions were drawn because:

- the Council has not yet developed a clear enough plan to implement its iCounty Strategy, and oversight arrangements need updating;
- the Council has made significant efforts to ensure that planned changes to IT service providers do not disrupt provision of its IT services, but the arrangement with the SRS is not underpinned by formal agreements;
- due to the lack of a Social Care and Health Directorate risk register, the Council cannot be assured that risks to the Flo system are appropriately escalated; and

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- the Council has a number of initiatives to improve the effectiveness of its IT services, but it is unclear how these will help it measure and demonstrate impact.

In response, the following proposals for improvement were made whilst recognising progress made and also to reflect emerging issues:

- P1 Review and revise the iCounty Business Plan for 2016-2019 by setting out clear and measurable actions to enable senior managers and members to effectively monitor and manage progress of its implementation.
- P2 Review membership of the Digital Board following changes in software provider to ensure no conflicts of interest.
- P3 Negotiate and agree commercial grade Service Level Agreements with SRS in advance of new organisations joining the partnership to support sound governance, and to enable the Council to measure service delivery, and assure itself that its IT needs continue to be met.
- P4 Complete the database of systems used by the Council, identifying information such as contract details, costs, and the comments of the system owners, to support the Council in its strategic management of IT resources.
- P5 Review the Council's risk management arrangements to assure itself it manages risks consistently across directorates and identifies, escalates, and addresses risks in a timely and appropriate way.

The Policy and Performance Officer presented the Management Response referring to the Council's actions to respond to the proposals for improvement and a plan of future actions. It was added that some are in progress and it is considered that arrangements are already in place for P2 and P4.

The Head of Digital summarised that with regards to:

- P1, a review and revision of the iCounty business plan is in progress, as planned, and there is acceptance that there is a need to further develop data and indicators.
- P2, it was confirmed that the County does not have a software provider of choice but has a number of delivery agents. In particular, it was confirmed that CMC<sup>2</sup> was engaged for one specific project and that was why they were represented on the Digital Board. A review of the overall arrangements for the authority's Programme Boards (People Board, Place Board and Digital Board) is in progress as part of the Future Monmouthshire initiative to ensure that they are fit for purpose. No review of the membership of the Digital Board is considered necessary at this time. Further details of the work of the Programme Boards was provided. It was confirmed that Elected and Cabinet Members sit on each of the Programme Boards.

In response to a question, the difference between the Digital Board and the SRS was explained that the SRS is the technology infrastructure provider. It also is a services provider to other authorities e.g. provides and maintains all equipment/systems. The Digital Board monitors this authority's internal digital strategy and SRS involvement. It

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was confirmed that there are several partners including Monmouthshire County Council, Torfaen County Borough Council, Blaenau Gwent County Borough Council and Gwent Police. The SRS is owned by all partners. The Officer confirmed that Monmouthshire CC has its own digital direction which feeds into and aligns with overall SRS strategy.

- P3, it was confirmed that there is a working party to assess this aspect and it is accepted that a commercial grade SLA is required. In the interim, performance is measured by a Performance Board attended by all partners. Performance is measured against an agreed set of standards.
- P4, this is not accepted. It was explained that there is already a database of the council's systems, which includes contract details, costs and system owner comments. The database is used to facilitate collaboration with other local authorities on future digital direction, how to combine systems and to maximise economies of scale to inform future decision making. It was explained that other partners are currently completing a similar database.
- P5, it was explained that the Risk Management Policy was last reviewed in March 2015. There is a risk log in place to identify and manage high and medium level strategic risks. Lower level strategic and operational risks are managed by Service Improvement Plans or project specific risk registers to identify and manage risks within existing governance arrangements. Under the provisions of the Wellbeing of Future Generations (Wales) Act 2015, it is not just risks to services that are monitored but also risks facing communities, countywide and longer term risks.

In answer to the Management Response to P2, a WAO Officer clarified that the purpose of the review regarding membership of Digital Board was to reflect the change that CMC<sup>2</sup> is no longer involved.

Regarding P4, it was emphasised that this proposal was based on a snapshot in April 2016. When the database was demonstrated, it was incomplete as FLO (social care app) wasn't included. The recommendation, therefore was to complete the database. This point was accepted as FLO was at project management stage and had only gone live a few weeks previous. This was the only element that was missing from the database.

It was clarified that the SRS was set up under a Memorandum of Understanding Agreement and is non-profit making. It is an amalgamation of all participating local authority ICT departments, noting that Blaenau Gwent County Borough Council have recently joined and Newport City Council are in discussions. The SRS provides the ICT infrastructure including all Wi-Fi enablement, all equipment, staff and services. It was confirmed that MCC pays for the service provided and monitors performance. It was emphasised that the Council's digital strategy is not driven by the SRS. The Council manages its strategy in collaboration with other local authority partners, within the governance arrangements in place. It was added that the SRS is visited by the team on a weekly basis, informal board meetings are held with respective partners and also formal board meetings with Elected Members.

It was queried, if it is a partnership, why MCC is solely implementing iCounty and why the software is not common to all partners. It was explained that each of the local authorities has its own digital direction with different priorities. There is a common infrastructure e.g. same Wi-Fi, some use the same telephony systems and all have Microsoft Enterprise agreements managed by SRS and added that more collaboration is welcomed in the future. It was explained that the SRS assists the establishment of common systems and does not control five sets of completely separate infrastructures.

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In response to a question, it was confirmed that the SRS provides the hardware and some common software; each partner also has its own software arrangements. It was emphasised that more collaboration is welcomed to produce efficiencies in the way work is undertaken across the whole partnership. Additionally, each partner will retain its own priorities as well.

In response to a question, a WAO Officer explained that the 2015 Corporate Assessment formally raised the matter of how IT arrangements were progressing within the authority. It was explained that the collaboration to form the SRS was initiated with involvement from Welsh Government; the WAO was therefore interested in progress. It was explained that contractually, SRS is a legal entity with a Memorandum of Understanding. CMC<sup>2</sup> provided the council with one piece of software (FLO). In the absence of CMC<sup>2</sup>, FLO is now supported and maintained by SRS. It was clarified that SRS is the Council's ICT providers and that CMC<sup>2</sup> provided software not ICT infrastructure.

In response to an enquiry about the need for more scrutiny by elected members in addition to Cabinet Members, the WAO Officer explained that proposal P2 was made to ensure membership of the Digital Board is appropriate.

The Chair clarified that a request for a further reports must be properly submitted as a motion for a future meeting.

The WAO Officers were thanked for their attendance and responses.

#### **8. Whole Authority Complaints, Comments & Compliments Report**

The Customer Relations Manager presented the Whole Authority Report 2015/16 to provide Audit Committee with information on the number and types of complaints, comments and compliments received and dealt with from 1 April 2015 until 31 March 2016. 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.

A Member enquired about a concern raised about staff behaviour during refuse collection. It was confirmed that if a member of staff can be identified, the matter would be dealt with accordingly.

A Member asked if political researchers could be charged for Freedom of Information Requests. It was explained that it is possible to charge for any requests that take over 18 hours to prepare an answer, and confirmed that the charge only covers the photocopying costs.

#### **9. Half Yearly Treasury Update**

Members received the Half Yearly Treasury Update and were reminded that the Audit Committee has an opportunity annually to inform Treasury strategy prior to recommendation to County Council. It was explained that the report was six month feedback to provide reassurance that nothing of concern has occurred in the first half of the financial year in terms of the tolerances applied to treasury management.

The Committee's attention was drawn to an amendment to the report on p.7 altering £59m to £59,000.

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Following presentation of the report, questions were invited.

The report was received with thanks.

#### 10. Internal Audit Progress Report 2016/17 - Quarter 2

The Chief Auditor presented the Internal Audit Progress Report referring in particular to the appendices that detailed the work undertaken and recommendations for improvements.

The Chief Auditor was thanked for his report.

#### 11. Unsatisfactory Audit Opinions

The Chief Auditor presented a six-monthly update to report unsatisfactory audit opinions.

Following presentation of the report, Members were invited to ask questions.

In response to a query about the definition of unsatisfactory, it was confirmed that opinions can be good, reasonable, unsound or unsatisfactory based on the number of strengths and weaknesses identified in the audit review. Any weaknesses identified are further defined according to whether it is a significant or less significant weakness which will distinguish if it is a high, medium or low risk. A point system is then used to calculate a rating number that is assigned to a range of predetermined opinions. If identified as unsatisfactory, the strengths and high/medium or low risk weaknesses are combined to reach an unsatisfactory opinion; generally this indicates that there are more weaknesses than strengths. In borderline cases, the auditor will take a view which will then be reviewed by the manager and agreed through further discussion.

The Chair confirmed that items c-f on p.93 had been discussed previously and that a follow up report was awaited.

It was queried how far school meals had been investigated. It was confirmed that this was the first report and a category of **Limited** opinion was defined as a result of a review of the process for school meals against a comprehensive audit programme. Key issues to be addressed were identified.

It was confirmed that there had been no follow up meeting with Magor Church in Wales VA Primary School, to date but a further audit would be undertaken in 2016/17.

The report was welcomed and duly noted.

#### 12. Review of MRP

A report was presented to review the Council's Minimum Revenue Provision (MRP) in relation to supported borrowing.

It was explained that this matter is a Council decision. In view of the Audit Committee's role in informing treasury strategy, the report will be amended to reflect its view prior to consideration by Council. It was noted that the report was compiled in conjunction with Arlingclose (Treasury Advisors). WAO has also confirmed that the report is satisfactory and reflects amendments in relation to previous feedback provided.

Following presentation of the report, queries and observations were invited.

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A Member expressed concern that the Committee was being asked to endorse the report prior to consideration by Council and commented that the approach proposed is passing on a higher proportion of debt repayment to future generations, who will be paying for, but not benefiting from out of date improvements, and offered the opinion that debts should be repaid in the traditional way.

The Officer agreed to compose an addition to the report to Council to provide both the general audit committee view and the specific comments made.

It was suggested that the Officer should be more explicit why the annuity model was chosen for unsupported borrowing, and a different model proposed for supported borrowing.

#### **13. Quarterly Monitoring of Reserves - Quarter 2**

A report was received to appraise Members of the prospective reserve usage in conjunction with highlighting the revised reserves protocol endorsed by Cabinet in July.

It was explained that the purpose of the report is to ensure that Members are better aware of levels of reserves when making financial decisions and will now be a regular Audit Committee agenda item accordingly.

Following receipt of the report, comments were invited.

A Member commented that the lower level of reserves (4.2%) has occurred previously.

A Member disputed the category of 'earmarked reserves' where there was no definite plan for future expenditure, commenting that money was being put aside for unknown spending. It was queried why the general reserve (increased to 7-8%) was not used instead to avoid the element of uncertainty and provide better transparency. It was confirmed that the term 'earmarked reserves' is an accounting term used when it is known that there will be a liability and it is necessary to apportion some reserve funding when future costs aren't known. It was suggested that if amounts are known they should be included under a specific budget investment heading.

It was suggested that reserves should be considered as a combined amount.

The report was accepted and the Outturn Forecast report noted.

#### **14. People Services Annual Report & Workforce Plan**

We received the People Services Annual Report for information and questions were invited.

It was queried why the report was presented to this Committee. The Chair commented that it was appropriate for the Audit Committee to consider the report as much of the information provided was in relation to commonly raised questions. It was advised that the report had been considered by Cabinet and Strong Communities Select Committee.

A Member referred to a report due to be presented to Audit Committee regarding part time and zero hours contracts. This was confirmed and reassurance was provided that the Council does not issue zero hour contracts in favour of contracts for casual hours. It was explained that some of the public concern regarding zero hours contracts was to do with circumstances when employers have made it a condition that an employee doesn't work for another organisation. It



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was added that when casual hours are offered by the Council, the offer of work can be turned down or taken up as desired.

A Member queried the total number of employees, the availability of comparison with previous years and if the reduction in employees is causing a problem with particular reference to the high number of days lost to sickness absence. It was confirmed that the number of employees with comparisons to future years will be included in this report going forward. It was also confirmed that wellbeing and management of attendance is a priority. The policy is being revised and will provide a tool kit to support both managers and employees.

The report was welcomed.

#### **15. Forward Work Programme**

The Forward Work Programme was received. It was agreed that the following matters should be added:

- Zero hours contracts
- Contract Procedure Rules exemptions
- Deferral of implementations of audit recommendations

The Chair expressed a preference for the Forward Work Programme to plan further ahead than is currently so.

#### **16. To confirm the date and time of the next meeting as 2.00pm on Thursday, 15th December 2016**

The date and time of the next meeting was confirmed as Thursday 15<sup>th</sup> December 2016 at 2.00pm in County Hall, The Rhadyr, Usk, NP15 1 GA.

**The meeting ended at 4.30 pm**

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