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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, 25th May, 2017 at 2.00 pm

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

County Councillors: P. Clarke, A. Easson, P. Murphy, M. Feakins,  
B. Strong, M. Lane, J. Watkins and S. Woodhouse

### **OFFICERS IN ATTENDANCE:**

Andrew Wathan	Chief Internal Auditor
Joy Robson	Head of Finance/Section 151 Officer
Kellie Beirne	Chief Officer, Enterprise
Peter Davies	Chief Officer, Resources
Wendy Barnard	Democratic Services Officer
Terry Lewis	Wales Audit Office
Sally Thomas	Interim HR Manager

### **APOLOGIES:**

County Councillors L. Jones and V. Smith

#### **1. Election of Chairman**

We elected Mr. P. White as Chair.

The Chair made a statement about the effectiveness of the Audit Committee and his expectations for future meetings. It was confirmed that Members wishing to introduce new business must submit a motion on notice under the Council Procedure Rules and should provide a briefing paper.

It was added that all papers submitted to Audit Committee will require an introduction to be supplied by the author.

When papers are submitted by external organisations to the Council, Monmouthshire County Council Officers will be asked to provide a response in the first instance.

#### **2. Appointment of Vice Chairman**

We appointed County Councillor J. Higginson as Vice-Chair.

#### **3. To Note the Appointment of Lay Member**

We noted the appointment by County Council of Mr. P. White as Lay Member.

#### **4. Declarations of Interest**

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It was agreed that declarations of interest would be submitted as and when they arise and clarified that dispensation has been given that schools governors are not required to make declarations of interest for specific schools.

Declarations of interest were declared as follows:

- County Councillor A. Easson: In relation to Item 11 - Unsatisfactory Audit Opinions, a personal non-prejudicial interest under the Members' Code of Conduct as a Governor of Ysgol Y Ffin.

### **5. Public Open Forum**

No members of the public were present.

### **6. Introductions to Audit Committee and the role of Internal and External Audit, performance and risk management**

The Chief Internal Auditor provided a brief overview of the work of the Audit Committee and the role of Internal Audit.

The Wales Audit Office representative provided a presentation on the External Audit service provided by Wales Audit Office.

In response to a question, it was confirmed that the role of the Section 151 Officer is to ensure that the requirement of the Local Authority's is in place to have appropriate and a proper financial administration. This includes suitable financial procedures, appropriate governance arrangements for the local authority's financial circumstances and an appropriately resourced internal audit team to check that financial procedures and controls are working adequately.

Both Officers were thanked for the useful information provided and a standing invitation was issued to Wales Audit Office to attend meetings of the Committee.

### **7. To confirm and sign the minutes of the meeting held on 16th March 2017**

The minutes of the previous meeting held on 16<sup>th</sup> March 2017 were confirmed and signed as a true record.

### **8. To note the Action List from 16th March 2017**

**Youth Service:** It was noted that a report detailing the Youth Service element of the whole directorate review has been requested. It was accepted that this is a work in progress and noted that a business case will be presented to Council later in the year. It was queried if an update could be provided regarding the £70,000 Welsh Government grant and plans for The Zone building in Caldicot before the business plan is made available. It was agreed that the information would be e mailed to Committee Members.

**Zero Hours Contracts:** The historic information (redundancies in schools over the last three years) requested at the last meeting was circulated to Committee Members on the 10<sup>th</sup> April 2017.

**Risk (Events):** A follow up review on the unfavourable audit opinion of Events is in progress and will be reported to Audit Committee in September 2017.

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A Member questioned what measures were in place for the planned summer events to prevent further unfavourable audit opinion. It was explained Internal Audit Officers are working through actions with the operational manager and the situation is improving.

**Employee Code of Conduct:** It was agreed to redistribute this document to all Committee Members.

**Cardiff City Region:** It was confirmed that there would be no charges from Wales Audit Office as the initiative would be audited centrally. It was commented that the situation is still evolving and that there would be no charges this year. The Cabinet Member for Resources commented that there should not be any charges as the project has its own Cabinet and structure.

#### **9. Audit Committee Annual Report 2016/17**

The Chair introduced the Audit Committee Annual Report that provides an overview of last year's work written in conjunction with the Chief Internal Auditor.

It was commented that the report was a fair reflection of the work of the Committee in terms of challenge, process and holding responsible officers to account. The report provided reassurance that financial systems and controls are working well in Monmouthshire County Council.

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

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

The Chief Auditor introduced the report, in its new format, the purpose of which is to present recommendations to address weaknesses identified in audit jobs. The purpose of the recommendations is to improve the control environment of service provision. The report tracks implementation of historic (2014/15 and 2015/16) and current recommendations by respective managers.

The Committee was reminded that the report is based on strengths and weaknesses; weaknesses are classed as significant, moderate or less significant.

It was reported that for 2014/15, 96% of audit recommendations were agreed by operational managers and in 2015/16, 97% were agreed. To ensure that the recommendations have been implemented, further work is undertaken. When there has been an unfavourable audit opinion, assurances are given to Committee that a review audit will be carried out and an update provided. For other opinions, there are insufficient resources to assure that all recommendations have been implemented, so checks are made on a sample basis. However, there is reliance on operational managers to provide evidence of implementation e.g. an action plan.

An update was provided, in relation to car park income, that 11 recommendations were implemented and 9 not implemented. An updated version of the appendices will be circulated to Committee Members following the meeting.

It was explained that, overall, 67% of recommendations have been implemented, 18% not implemented, 12% part implemented and 4 % where managers have accepted the risk and not implemented the recommendation. The latter figure is of concern and a revisit will be arranged. If unsatisfactory, the Head of Service will be made aware of that issue.

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Committee Members were guided through the report appendices.

A Member questioned the figures regarding car park income noting that 9 recommendations were not implemented. In response it was explained that there had been a concern and a recommendation agreed with the operational manager. However, implementation was conditional on the car park policy being updated. The policy has now been updated and the recommendations can be implemented. It was agreed to arrange for the operational manager to attend a meeting to reassure the Committee, explain what has been done and timescales accordingly. The Chair will write to the Head of Service.

A query was raised about measures taken in the Children and Young People's Directorate and it was agreed that the Chief Officer will be asked to provide information on the measures taken or planned to address the audit opinions and a further report will be made available at the next meeting.

The concept of risk being accepted by managers but with no action taken to mitigate the risk was queried. It was explained that there can be various reasons for non-implementation such as convenience or lack of resource, and it was confirmed that better follow up is needed in these circumstances. If a significant weakness is identified, that matter should then be raised with the Head of Service.

A Member questioned, in the context of a school, if there were ever interim measures required prior to implementation. It was explained that an audit is undertaken against a pre-prepared programme of expected controls to identify what is in place and to determine strengths and weaknesses. A draft report and action plan is prepared and discussed with the Headteacher and School Administrator for factual accuracy. The Headteacher's comments would be incorporated in the report then the audit recommendation would be added and the agreement of the Headteacher sought. If the opinion was unfavourable, as agreed with Audit Committee, the school would be revisited within 6-12 months to check upon implementation.

If nothing has been implemented after two unsatisfactory audit opinions, this would be reported back to Audit Committee through quarterly update reports and the option of calling in the Headteacher to attend an Audit Committee meeting would be considered.

### **11. Unsatisfactory Audit Opinions**

The Committee received the six monthly update report on progress relating to the implementation of recommendations in respect of unfavourable audit opinions at an operational level.

The list of Limited Assurance opinions issued in 2016/17 was explained and Members' attention was particularly drawn to Events and that that work is being undertaken with the operational manager in view of the significant summer events and a further report will be provided for Audit Committee in due course.

A Member requested an explanation of what had been done to assure compliance with the Bribery Act (e.g. no authorised signatory list for procurement decisions). It was responded that the anti-fraud, bribery and corruption policy has been updated. The policy includes a commitment to provide training for employees and members in 2017/18. The policy will enable

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work to address the other elements. As this issue has a Limited Assurance status it will be followed up by the Audit Team and progress will be reported back accordingly.

The response from the Strategic Procurement Manager regarding Compliance with the Bribery Act and Mobile Phones was circulated to Committee Members. In response to a query regarding timescales, it was confirmed that the report is in the process of being finalised and it was agreed that there will be a progress report in December 2017

A Member asked if staffing levels were adequate and it was responded that the Internal Audit team is currently fully staffed but the Committee was informed that if there were more auditors, more assurances could be provided. A commitment was provided that all 2016/17 opinions that were classed as Limited Assurance would be followed up within the current financial year.

The Chair asked if the Committee should be looking back historically e.g. over the previous two years. It was replied that this work is still being followed up and will be reported upon in the next six months.

#### **12. Report to Council: Zero Hours Contracts**

The Committee reviewed the Chair's formal report to Council that concludes that the Audit Committee's main findings note that it is satisfied that zero hours contracts are not in use within the Council according to the following definition: 'A flexible contract where an employer does not guarantee set hours of work for an employee. The employee is contracted to that employer and cannot work for another employer'.

It was also established that the Council does employ casual workers who are not obliged to accept offers of work, if they choose not to, in a mutually convenient arrangement.

The report recommends that the use of zero hours' contracts is subject to continuous monitoring and that operational managers should take ownership utilising the advice and data provided by the HR Business Partnership.

It was also agreed that the Council should offer staff contracts if the work becomes a regular commitment.

The report highlights the employment practices of agencies and notes that they could pose a risk.

A Member asked for further information about other areas such as the Museum Service, Tintern Station, Shire Hall and Caldicot Castle on the specific requirements of those members of staff regarding flexibility of work and contract status and it was agreed that this information would be circulated following the meeting.

It was agreed that the report should be forwarded to Council.

#### **13. Forward Work Programme**

The Forward Work Programme was received.

A Member queried if the Well-being of Future Generations (Wales) Act 2015 will be considered going forward. It was explained that whilst it is not specifically in the work programme, the

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performance team can provide information on risk management and performance arrangements.

It was explained by the Wales Audit Officer that the Wales Audit Office has already started consideration of how the Act is implemented across all authorities. It was confirmed that it is the responsibility of the Council to implement the requirements of the Act. A report was requested by Committee in due course.

#### **14. To note the date and time of the next meeting as Thursday 6th July 2017 at 2.00pm**

The date of the next meeting of the Audit Committee was confirmed as Thursday 6<sup>th</sup> July 2017 at 2.00pm.

**The meeting ended at 1.35 pm**