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MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held at Remote Meeting on Thursday, 7th January, 2021 at 2.00 pm

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

County Councillor: P. Clarke, A. Easson, M. Feakins, M. Lane,
P. Murphy, V. Smith, B. Strong and J. Watkins

OFFICERS IN ATTENDANCE:

Andrew Wathan	Chief Internal Auditor
Peter Davies	Chief Officer, Resources
Roger Hoggins	Head of Service - Strategic Projects (Fixed Term)
Wendy Barnard	Democratic Services Officer
Gareth Lucey	Wales Audit Officer
Anthony Veale	Wales Audit Officer
Charlotte Owen	Wales Audit Officer
Emma Davies	Performance Officer
Richard Jones	Performance Manager
Jonathan Davies	Central Accountancy Finance Manager
Ian Saunders	Chief Operating Officer, MonLife
Richard Simpkins	Business and Commercial Manager - MonLife
Tracey Thomas	MonLife Engagement and Workforce Development Officer
Pauline Batty	Catering Manager
Cath Fallon	Head of Economy and Enterprise
Scott James	Strategic Procurement Manager
Matthew Gatehouse	Head of Policy and Governance

APOLOGIES:

None.

1. Declarations of Interest

Items 5 and 6: Personal, non-prejudicial interests were declared by County Councillors P. Murphy, A. Easson and M. Feakins as trustees of Monmouthshire Farms School Endowment Trust Fund.

2. Public Open Forum

No members of the public were present.

3. To note the Action List from the previous meeting

1. URGENT ITEMS OF BUSINESS

THE CHAIR AGREED TO CONSIDER THE FOLLOWING TWO ITEMS OF URGENT BUSINESS AS AN EMERGENCY RESPONSE TO THE CURRENT PANDEMIC.

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A) Statement from the Chief Internal Auditor and Chief Officer, Resources re: Internal Audit Team standing down to contribute to the Track, Trace and Protect (TTP) Function

The Chief Internal Auditor and Chief Officer, Resources provided the following statement to inform members of the Audit Committee why the Internal Audit team is temporarily stood down to provide corporate support to the Track, Trace and Protect (TTP) function currently managed by MCC Environmental Health Officers. The statement is as follows:

“TTP at Monmouthshire is being managed by our Environmental Health Officers. Just before Christmas they were inundated with high volume caseload such that there was a shout out for help and support from internal teams within MCC.

Discussions were held between the Chief Executive and Chief Officer Resources and it was felt that the Internal Audit team would have the appropriate skill set to support TTP. Consideration therefore had to be given to keeping the Internal Audit team operational carrying out its audit function, providing appropriate assurance on the internal control environment, governance arrangements and risk management process in place or to support a high profile corporate function during these unprecedented times with the continuing pandemic.

The impact of standing the IA team down to support TTP needed to be assessed.

The IA team currently consists of a Chief Internal Auditor (50%), 1 Audit Manager, 1 Principal Auditor, 2 Senior Auditors and 1 Auditor. The Auditor has already been seconded out of the team to support the Covid -19 business grants administration.

The proposal was for the Chief Internal Auditor to maintain support for the Chair of Audit Committee and provide appropriate reports into Audit Committee, the Audit Manager to retain 40% of audit time, 1 Principal Auditor to retain 25% of audit time with the rest of the team supporting TTP for a 2 month period. This would allow all current audit work to be reviewed and draft or final reports sent out, to deal with ongoing audit queries and to respond to any allegations of fraud.

To date 25% of the revised audit plan has been completed to at least draft report stage. When all reports currently under review are sent out 47% of the revised plan will be completed to at least draft report stage.

Although only 3 audit opinions have been issued, they have all been categorised as giving **Considerable Assurance**. 3 Grant claims have been audited and they have had unqualified opinions which is good and the terms and conditions of the grant had been met. Of the 7 opinion related audits currently under review, none are anticipated to result in a *Limited Assurance* opinion.

Over the past few years, key financial systems audited have received positive assurance opinions; there have been no significant changes to those systems or the management of them and no issues or frauds have been brought to the attention of Internal Audit so these would be considered as a medium risk and therefore would only be audited once every 2 or 3 years. Key financial systems were not in audit jobs yet to be completed within the revised IA plan.

Jobs in the revised IA plan, which will now not be completed were generally of a medium risk. They include schools where the team can't undertake site visits, follow up audits which will need to be rolled into 2021/22 due to the delay in finalising the reports, some service area reviews and some corporate reviews.

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The monitoring of the implementation of audit recommendations is a key job which the team undertakes across all service areas; this will continue.

Apart from the Covid-19 business grants frauds previously reported into Audit Committee the IA team are not dealing with any other special investigations currently. The first tranche of grants was quite significant where potential fraud was identified and reported to the police. The value of the later tranches of grant has been much lower although any concerns or suspected fraud issues are being referred to the Chief Internal Auditor / Audit Manager as we have an audit presence within that administration.

Although the volume of audit work will be less there will be no significant impact on the governance arrangements in place at Monmouthshire or the Annual Governance Statement as we have pretty sound governance arrangements in place currently.

The situation will be constantly kept under review by the Chief Officer Resources and the Chief Internal Auditor to bring the Internal Audit team back into the provision of internal audit services as and when appropriate; in particular if circumstances change or the risk profile changes.”

The Chief Officer, Resources, thanked the Internal Audit Team for their contribution to this important work and supported the level of comfort offered and the points made in the statement.

In terms of External Audit, the Audit Wales Officer confirmed that discussions have taken place with the Chief Internal Auditor and confirmed there is no significant impact on planned External Audit work.

Regarding financial audit work, there is less direct reliance on the work of the Internal Audit Team due to changes in audit standards. Planning work for the 2020/21 accounts will include a review of the overall control environment in the Council so it will be necessary to consider any impact on this. This process will continue in the next months and Audit Wales will consider this aspect and will keep the Committee informed.

Considering performance work, no significant impact is expected as a programme of local work is planned and there is ongoing dialogue with Council officers. Audit Wales will be flexible and pragmatic and will ensure that work thought worthy of further investigation is carried forward in the planning process for future years.

Members were invited to ask questions and make comments, as follows:.

- County Councillor P. Murphy declared an personal , non-prejudicial interest as his wife is employed in TTP work. He was happy with Internal Audit’s contribution but also queried the level of involvement expected from the team, as there seems to be limited work available. It was responded that the situation will be under constant review and there will be flexibility. The Internal Audit (IA) Team is currently undergoing training. The TTP Manager will manage workload and if there is insufficient work, the IA Team will return to its substantive work on the Audit Plan. The Chief Officer updated the Committee that the level of testing had decreased temporarily after Christmas but is likely to rise causing work levels to increase. It is vital staff are trained and prepared to step in, and to also assist other regions as necessary.

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- A Member asked if MonLife staff normally working in closed leisure centres etc. have been employed on TTP. It was confirmed that many MonLife/Leisure services closed when the new restrictions were brought in on 20th December 2020 and a number of staff have been redeployed to TTP and the vaccination programme. The furlough scheme is still open to the authority to recover some costs for staff not redeployed. However, redeployment would be the first priority.

B) Statement on the impact of Covid 19 on the financial affairs of the authority

The Chair requested a statement from the Chief Officer, Resources on the impact of Covid 19 on the financial affairs of the authority as currently being experienced and, asked if this could be a regular feature of Audit Committee Meetings for the duration of the pandemic.

The Chief Officer, Resources welcomed the request explaining that the authority regularly reports on its revenue/capital budget monitoring, forecast and positions to Cabinet. Month 7 will be considered at the next Cabinet meeting. A verbal update on commercial investments was also offered.

The Finance Manager highlighted the significant financial impact on the authority due to the pandemic attributable to reduced income and additional expenditure. Members received regular updates via the budget monitoring reports at Months 2, 5 and 7. Month 9 will be reported in February.

Additional unbudgeted costs (totalling £5.8m at end of November 2020) are in relation to the redirection of resources to meet the core purpose of protecting life during the pandemic. These are mainly for Adult Social Care, Homelessness Services and provision of PPE and social distancing measures.

Many of the income generating services (Culture and Leisure Services) have had to close due to restrictions imposed by the Welsh Government resulting in £4.1m losses in the first two quarters. Income has also been lost from car parking, schools catering, rental and external transport provision. To date Welsh Government has met 100% of the additional costs and income loss directly attributable to the impact of Covid 19.

Additional costs and income losses are expected to continue at least until the end of the financial year with a forecast of £750,000 per month in additional costs and £730,000 in income losses. There is confidence that the Welsh Government will meet these additional costs and income losses until the end of March 2021. Whilst Welsh Government may fund some of the costs/income losses after this time, details are unknown. The Council will be prudent in drafting budget proposals for next year to take account of the risk of the funding being reduced or withdrawn.

Some other indirect consequences of the pandemic include the delay in implementing planned savings proposals. It is difficult to value the cost at this time.

The Chief Officer, Resources provided an update on investment performance. There is an annual report from the Investment Committee due in the next few months.

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Castle Gate is maintaining performance commensurate with the nature of the work of the tenants. Newport Leisure Park, consistent with the nature of the tenants on the site, has had more impact from the Covid restrictions. The authority has reviewed its commercial intentions due to uncertainty and risk. Regular Investment Committee meetings are held to assess performance of investment assets and the next meeting is 20th January 2021. It was confirmed that the net revenue target for Castlegate and Newport Leisure Park combined is £609,000 for the current financial year. A net rental income of £503,000 is predicted with a shortfall of £106,000 assuming key tenants' ability to pay negotiated arrears and predicated on Welsh Government funding the further shortfall. It was acknowledged that the situation could deteriorate and there is ongoing dialogue with tenants.

Committee Members were invited to ask questions or make comments, as follows:

It was confirmed that it was not possible in the public meeting to discuss tenancy arrangements in more detail as this is confidential information.

A Member asked if the equivalent amount of furlough funding can be claimed if staff are redeployed to TTP. It was explained that members of staff unable to work because their service has been closed can either be furloughed and costs recovered from UK Government HMRC or redeployed with no additional funding.

2. Call in of Officers: Food Procurement Follow Up.

A Statement was provided prior to the meeting to outline the action taken by management in the Service Area to date and progress against the agreed action plan in respect of the 'Limited Assurance' audit opinion for Food Procurement –Audit Follow up report. The statement specifically included the risks described in the action plan as provided in the report and the feedback from various managers in addressing the risks highlighted in the action plan. The Head of Service (Strategic Projects), Catering Manager and Head of Procurement also attended.

Members were invited to comment and ask questions, as follows:

A Member, in view of the statement provided on the actions taken, requested an update in six months' time when the new structure will be more embedded.

A Member strongly supported the inclusion of the right of the Catering Manager to have access to all kitchens in the County. It was responded that the Catering Manager and her team currently provide advice and guidance to kitchens in the County but the new team will grant the right to access to ensure that the advice and guidance is acted upon.

The Member questioned why the required independent third party food hygiene audit couldn't be undertaken by the authority's Environmental Health Team and was informed that the third party audits in operation are because of collaborative arrangements within SE Wales under national procurement service contracts. The current arrangement ends in 2022 when a new contract will be arranged for the following four years.

It was agreed to receive a progress report in six months.

3. Call in of Officers: Caldicot Castle Follow Up

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A statement was circulated prior to the meeting to inform the Members of the Council's Audit Committee of the action taken by management in the Service Area to date and progress against the agreed action plan in respect of the 'Limited Assurance' audit opinion for MonLife Caldicot Castle Follow up October 2019.

The Chief Operating Officer for MonLife, MonLife Engagement and Workforce Development Officer and Business and Commercial Manager - MonLife attended the meeting to provide reassurance to the Audit Committee on the work completed on the action plan highlighting the context of the current pandemic and flooding as services are closed, staff are furloughed or redeployed.

Members were invited to ask questions and make comments:

Members commented that it was unfortunate there had been no opportunity to test the actions implemented due to current circumstances and suggested revisiting the work in a year when Caldicot Castle will have reopened. The local ward Member thanked the team for the work carried out so far.

In response to a question, it was explained that a deposit (minimum 20% of overall cost depending of the size of the event) is taken when a booking is made. If the event is within 12 weeks of booking, then full payment is taken. A retainer is held to cover any damage incurred.

It was confirmed by the Chief Internal Auditor that follow up audits for both services will be planned for in 2021/22 or 2022/23; timings dependent on the current circumstances and at the discretion of the Internal Audit Team.

4. Loan Interest information

The Finance Manager confirmed that the average interest rate for the borrowing to fund the purchase of Newport Leisure Park is 2.34%.

4. Audit Wales: Monmouthshire Annual Audit Summary 2020

The Audit Wales Officer introduced the Audit Wales Annual Audit Summary. A change in format was noted in that this report now replaces the Annual Improvement Report combined with elements of the Annual Audit letters sent to Chief Executives.

The Performance Manager responded, thanking Audit Wales and reminding Members that the reports mentioned are presented to the Committee during the year with a Management Response that includes actions taken or planned to take account of the proposals for improvement. The authority uses a 'Proposals for Improvement Tracker' to assess progress.

A Member observed that the report states that there are no areas in Monmouthshire that fall into the lowest 10% deprivation and queried this statement as some areas in the county have levels of deprivation. It was clarified that the comment refers to the top 10% areas of deprivation in Wales, which do not include locations in Monmouthshire.

A Member asked about the review of the Public Service Board (PSB) and asked about the identified constraints to it working effectively. A response will be provided by Audit Wales after the meeting.

It was clarified that the PSB will work very closely with colleagues in the Corporate Joint Committees for the Cardiff Capital Region to address common issues.

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The Committee noted the report.

5. Audited Trust Fund Accounts (Welsh Church Fund/Monmouthshire Farm Educational Trust/Llanelly Hill)

Items 5 and 6 were considered together.

The Audit Wales Officer introduced the Audit of Accounts 2019/2020 reports for the Welsh Church Act Fund and the Monmouthshire Farm School Endowment Trust Fund.

Welsh Church Act Trust Fund: Overall, an unqualified audit certificate is proposed. Two pieces of audit evidence were outstanding. One, relating to expenditure has been received and approved. The Committee was informed that the remaining outstanding evidence is a confirmation letter from UBS which is awaited. The accounts have been approved but the letter will be required to obtain the final certification.

An emphasis of matter paragraph has been added to highlight the uncertainties of valuations and property fund investments.

Monmouthshire Farm School Endowment Trust Fund: an unqualified report is proposed. The examination certificate is provided in the report.

The Finance Manager welcomed the unqualified opinions and confirmed that corrections have been made as required. Audit Wales Officers were thanked for their flexibility and co-operation during the pandemic.

The Committee accepted the report recommendations noting:

- 1) That the Committee reviewed the audited accounts for The Welsh Church Act Fund 2019/20 in conjunction with the Audit Wales ISA260 Audit of Accounts report for The Welsh Church Act Fund.
- 2) That the Committee reviewed the audited financial statements for The Monmouthshire Farm School Endowment Trust Fund for 2019/20 in conjunction with the Independent Examination Report for The Monmouthshire Farm School Endowment Trust Fund.

6. ISA 260 or equivalent for Trust Funds

This item considered with Item 5 above.

7. Recovery Planning - Assurance and Risk Assessment Feedback Letter

The Audit Wales Officer introduced the letter sent to the Chief Executive in December to summarise the progress Audit Wales has made to date with its Recovery Planning – Assurance and Risk Assessment Project, and to provide some interim feedback to inform the Council's ongoing recovery work. This work will continue during 2021.

The Performance Manager provided the management response thanking Audit Wales for the timely feedback. The letter focuses on recovery planning but it should be noted that the Council remains mainly focused on the challenges of the pandemic. It was hoped that the areas of strength identified in the letter provided the Committee with reassurance whilst signposting areas for consideration to include in medium term recovery planning. Work with Audit Wales will continue and a final report will be reported to Audit Committee when available.

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Noting that the letter identifies that some staff struggle with working at home, a Member asked if there was an all Wales overview of the effects of working at home and if a report would be written on this topic in the future. It was responded that the findings in Monmouthshire mirror experiences of working at home across Wales. Experiences and circumstances are different for each staff member. It was a positive step that a Book A Desk facility had been implemented to allow members of staff to book socially distanced working space in County Hall as an alternative to working at home in recognition of the challenges some experience. The Audit Wales Officer will check if there are plans to publish a summary of all Wales on the impact of working at home.

The Chief Officer, Resources emphasised the authority's efforts to engage and support staff throughout the pandemic. Staff members have been surveyed to assess wellbeing and to seek opinions on home working. A further survey will focus on wellbeing in order to adjust support mechanisms as necessary.

A Member noted that the letter highlights the low level of reserves as an area of concern that could make the impact of COVID more challenging. The Member asked if the reserve levels are adequate. The Chief Officer, Resources reminded the Committee that Monmouthshire County Council is the least well-resourced Council in Wales hence the low level of reserves. The authority works within its financial constraints. The Council Fund is maintained at 4-6% levels of Net Revenue Expenditure. £1.8m headroom was created in the Council Fund General Balance at the end of last financial year at the start of the pandemic. The authority was able to move some finances between capital and revenue to facilitate this. Earmarked reserves have declined and a review of adequacy of reserves will be undertaken with the final draft budget proposals. It was commented that comfort levels are very high due to the additional costs and income losses arising from the pandemic being covered by Welsh Government. It is hoped that there will be a further Hardship Fund put into place by Welsh Government to cover additional costs and income loss from 1st April 2021.

The Committee received the letter and noted the contents

8. Forward Work Plan

The Audit Committee Forward Work Plan was noted.

9. To confirm minutes of the previous meeting held on 26th November 2020

The minutes of the previous meeting were confirmed as an accurate record subject to the following amendment:

Item 5, para 2 (Self-evaluation): should read : There were eight items in the action plan - the deadlines have not yet been met.

10. To confirm the date of the next meeting as 25th March 2021 at 2.00pm

An additional meeting has been scheduled for the 25th February 2021 at 2.00pm.

Meeting ended at 3.55 pm