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County Hall
Rhadyr
Usk
NP15 1GA

Wednesday, 25 August 2021

Notice of Meeting

Governance and Audit Committee

Thursday, 2nd September, 2021 at 2.00 pm,
County Hall, Usk - Remote Attendance

AGENDA

Item No	Item	Pages
1.	Apologies for Absence	
2.	Declarations of Interest	
3.	Public Open Forum	
4.	To note the Action List from the previous meeting	1 - 2
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9.	To confirm minutes of the previous meeting	79 - 84
10.	To note the date of the next meeting as 7th October 2021 at 2.00pm	
11.	**To note a Working Group meeting to review the Governance and Audit Committee on 2nd September 2021 at 3.00pm**	

Paul Matthews
Chief Executive

MONMOUTHSHIRE COUNTY COUNCIL
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

Philip White (Co-opted Member)

County Councillor Peter Clarke

County Councillor Tony Easson

County Councillor Mat Feakins

County Councillor Jim Higginson

County Councillor Bryan Jones

County Councillor Paul Jordan

County Councillor Malcolm Lane

County Councillor Phil Murphy

County Councillor Val Smith

County Councillor Brian Strong

County Councillor Jo Watkins

Llangybi

Fawr;

Dewstow;

Drybridge;

Severn;

Goytre

Fawr;

Cantref;

Mardy;

Caerwent;

Llanbadoc;

Usk;

Caldicot

Castle;

Welsh Conservative Party

Welsh Labour/Llafur Cymru

Welsh Conservative Party

Welsh Labour/Llafur Cymru

Welsh Conservative Party

Welsh Conservative Party

Welsh Conservative Party

Welsh Conservative Party

Independent Group

Welsh Conservative Party

Liberal Democrats

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Aims and Values of Monmouthshire County Council

Our purpose

Building Sustainable and Resilient Communities

Objectives we are working towards

- Giving people the best possible start in life
- A thriving and connected county
- Maximise the Potential of the natural and built environment
- Lifelong well-being
- A future focused council

Our Values

Openness. We are open and honest. People have the chance to get involved in decisions that affect them, tell us what matters and do things for themselves/their communities. If we cannot do something to help, we'll say so; if it will take a while to get the answer we'll explain why; if we can't answer immediately we'll try to connect you to the people who can help – building trust and engagement is a key foundation.

Fairness. We provide fair chances, to help people and communities thrive. If something does not seem fair, we will listen and help explain why. We will always try to treat everyone fairly and consistently. We cannot always make everyone happy, but will commit to listening and explaining why we did what we did.

Flexibility. We will continue to change and be flexible to enable delivery of the most effective and efficient services. This means a genuine commitment to working with everyone to embrace new ways of working.

Teamwork. We will work with you and our partners to support and inspire everyone to get involved so we can achieve great things together. We don't see ourselves as the 'fixers' or problem-solvers, but we will make the best of the ideas, assets and resources available to make sure we do the things that most positively impact our people and places.

Agenda Item 4

Audit Committee Action List 29th July 2021

Agenda Item:	Subject	Officer	Outcome
6	Draft Statement of accounts	Jonathan Davies	A Member asked if changes to investments affected the liability e.g. green and eco decisions within the investment portfolio of the pension fund. [Action: This query will be directed to the pension fund and will be reported back to Committee Members.]

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Financial Sustainability Assessment – Monmouthshire County Council

Audit year: 2020-21

Month/Year issued: July 2021

Document reference: 2503A2021-22

This document has been prepared as part of work performed in accordance with section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act) and section 18 of the Local Government (Wales) Measure 2009. It may also inform a study for improving value for money under section 41 of the 2004 Act, and/or an examination undertaken by the Auditor General under section 15 of the Wellbeing of Future Generations Act (Wales) 2015.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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What we looked at and why

- 1 We undertook this assessment as financial sustainability continues to be a risk to councils putting in place proper arrangements to secure value for money in the use of resources. In part, this was informed by the experiences of some councils in England, our knowledge of the financial situation in councils in Wales, and the general trend of decreasing resources for local government combined with rising demand for some services. We undertook a similar project in 2019-20, before the COVID-19 pandemic.
- 2 Our 2020-21 assessment on councils' financial sustainability was in two phases. Phase 1 was a baseline assessment of the initial impact of COVID-19 on local councils' financial position. Phase 1 drew on: the year-end position for 2019-20; the position at the end of quarter 1 for 2020-21; and projections for quarter 2 for 2020-21. Following Phase 1, in October 2020 we published a national summary report – **Financial Sustainability of Local Government as a result of the COVID-19 Pandemic**¹. We found that councils and the Welsh Government have worked well together to mitigate the impact of the pandemic to date, but the future sustainability of the sector is an ongoing challenge.
- 3 The pandemic has had an immediate and profound effect on public sector finances as a whole and, as a consequence, on councils' financial position. The summary report set a high-level baseline position, including the reserves position of local councils before the pandemic. It also set out the initial financial implications of the pandemic for local councils and the scale of the anticipated challenge going forward.
- 4 This report concludes phase 2 of our financial sustainability assessment work during 2020-21. As part of this we are producing a local report for each of the 22 principal councils in Wales.
- 5 We undertook this assessment during February 2021 and March 2021.

¹ Audit Wales, [Financial Sustainability of Local Government as a Result of the COVID-19 Pandemic](#), October 2020.

Proposals for improvement

Exhibit 1: proposals for improvement

The table below sets out the proposals for improvement that we have identified following this review.

Proposals for improvement	
P1	<p>To ensure its Medium Term Financial Plan predicts future funding requirements as accurately as possible, the Council should:</p> <ul style="list-style-type: none">regularly review its future cost pressure estimates to ensure they are reasonable and reflect recent levels of cost pressures.
P2	<p>To bridge its estimated future funding gap and contribute to strengthening its financial sustainability the Council should:</p> <ul style="list-style-type: none">develop and deliver a programme of sustainable planned savings over the medium term.

The Council has a good understanding of its financial position, but that position is challenging with significant expenditure pressures, low reserve balances and savings becoming more difficult to achieve

The immediate impact of COVID-19 on the Council's financial sustainability has been mitigated by additional Welsh Government funding

- 6 This section sets out the impact that COVID-19 has had to date on the Council's financial position and the extent to which this has been mitigated by additional funding from the Welsh Government.

What we found

- 7 The Council estimates that the pandemic will have cost it £19.6 million in 2020-21. This is made up of £11.3 million of additional expenditure and income losses of £8.4 million.
- 8 The Council anticipates that these costs will be funded in full by the Welsh Government.
- 9 In June 2020, the Council assessed the financial risks it faced from the pandemic. This included an assessment of the Council's reserves and the possible reprioritising of reserves to meet any COVID-19-related pressures not covered by Welsh Government funding. The Council continues to review the risks and these inform the regular budget monitoring reports as well as its Strategic Risk Register. The Council has also increased the frequency of its budget monitoring reports to ensure elected members receive timely information on emerging financial issues.
- 10 The Council has modelled income loss pressures for 2021-22 caused by the pandemic but has no plans to reduce its fees and charges. Final budget papers for 2021-22 show an average increase in fees and charges of 2.5% but this varies by service and is based on officers' judgement of what they think the market can afford.
- 11 The Council has also decided to retain its council tax collection rate at 99% for 2021-22. The Council considers this a reasonable assumption based on a review of historic rates and collection rates during 2020-21.

Exhibit 2: the cost to the Council of COVID-19 over 2020-21²

The table below shows the Council's estimated additional expenditure and lost income over 2020-21, as a result of COVID-19, and how much of this was mitigated by extra funding from the Welsh Government.

The additional amount the Council estimates it will have spent as a result of COVID-19 over 2020-21.	£11.3 million
The amount of income the Council estimates it will have lost as a result of COVID-19 over 2020-21.	£8.4 million
The amount of additional funding the Council estimates it will receive from the Welsh Government over 2020-21 to mitigate the impact of COVID-19: <ul style="list-style-type: none">• Hardship fund – £19.6 million• Other COVID-19-related grants – £3.1 million	£22.7 million
The cost to the Council of COVID-19 over 2020-21, after extra funding from the Welsh Government is taken into account.	£0

The Council can identify its medium-term funding gap, but challenges remain in closing it and the Council recognises the need for medium-term savings plans

Why strategic financial planning is important

- 12 A clear and robust financial strategy is important to identify the likely level of funding available to a council, as well as the anticipated level of demand for, and cost of, providing services. Given the recent and anticipated funding pressures facing all councils, it is also important to identify how it intends to respond to those pressures, and particularly how they will meet projected funding gaps.

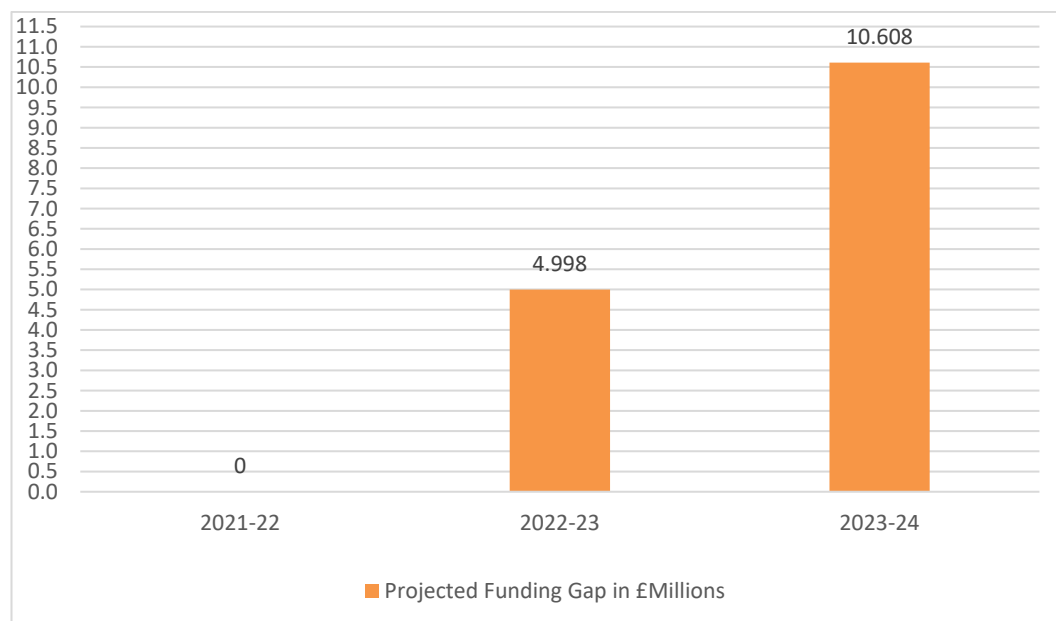
² Source: 2020-21 Outturn report

What we found

- 13 Last year we found that the Council did not yet have a financial strategy to support financial resilience and sustainability over the medium term.
- 14 The latest Medium Term Financial Plan (MTFP) and budget papers contain detailed forecasts for financial pressures in 2021-22, but only limited cost pressures have been identified for the remaining three years of the MTFP. The MTFP includes a provision of £5 million a year for unidentified pressures from 2022-23. This estimate is based on historic levels of pressures and has been increased from £2.5 million. However, in recent years, cost pressures identified as part of the budget setting process have often exceeded £5 million, ranging from £5.6 million in the 2018-19 budget to £10.3 million in the 2021-22 budget. It would be prudent, therefore, for the Council to review this estimate each year to ensure it reflects recent levels of cost pressures.
- 15 The Council undertakes more detailed work to identify the extent of the pressures closer to the year in question and through the annual budget process. Pressures that cannot be managed within the service are considered as part of the budget setting process and undergo challenge from both officers and members.
- 16 **Exhibit 3** shows that the Council has no forecast funding gap for 2021-22 (once planned savings are considered) but there remains a £5 million gap for 2022-23 and £10.6 million for 2023-24. These figures are cumulative, so assuming the Council identifies £5 million of recurring savings for 2022-23, this will also reduce the funding gap for 2023-24 by £5 million.

Exhibit 3: the Council has a total projected funding gap for the three years 2021-22 to 2023-24 of £15.6 million

This graph shows the funding gap that the Council has identified for the following three years³.



- 17 To inform financial planning and identify their projected funding gaps, all councils make assumptions about factors that will impact on the amount of funding they will have available in future years. The Council's assumptions in its MTFS provide a balanced forecast at the time of its publication when compared with the assumptions made by all Councils across Wales.
- 18 The Council regularly reviews and challenges the assumptions in its MTFP. Officers explain the reasoning behind the assumptions to elected members. The funding gap may increase if cost pressures in future years exceed the £5 million estimate included in the MTFP.
- 19 The Council has already closed the funding gap for 2021-22 as part of the budget process. It achieved this through:
 - 3.89% increase in Council Tax;
 - better than expected settlement from the Welsh Government; and
 - £4.7 million of savings to be achieved in the year.
- 20 However, the MTFP does not set out how the Council plans to close the funding gap beyond 2021-22. The Council recognises the need to develop a balanced

³ Source: Final Revenue and Capital Budget Proposals presented to the Council on 11 March 2021

MTEP and acknowledges this in the 2021-22 budget papers. However, it faces challenges in doing so. Key barriers and risks include:

- uncertainty over medium-term funding from the Welsh Government, due to a lack of indicative settlement figures and changes to COVID-19 funding. The Welsh Government's COVID-19 Hardship Fund is due to end on 30 September 2021, at which point the Council will no longer be able to recoup ongoing cost pressures and income losses linked to the pandemic.
- service pressures – both existing and newly emerging pressures brought about by the pandemic.
- the impact of the local government election cycle on financial decision making.

- 21 Following several years of budget cuts and efficiency savings, it is becoming increasingly difficult for the Council to identify and implement savings on an annual basis. The Council recognises the need to develop medium-term savings plans which provide sufficient lead-in time and the Senior Leadership Team aims to develop longer-term savings plans over the coming years. This will provide a more sustainable approach to closing future budget gaps but will require members to take longer-term decisions.

The Council has recently increased its reserves balances after a period of decline, but levels remain low and current use of capital receipts to fund revenue expenditure is unsustainable in the long term

Why sustainable management of reserves is important

- 22 Healthy levels of usable reserves are an important safety net to support financial sustainability. As well as being available to fund unexpected funding pressures, usable reserves can also be an important funding source to support 'invest to save' initiatives designed to reduce the ongoing cost of providing services. Councils that show a pattern of unplanned use of reserves to plug gaps in their revenue budget that result in reductions of reserve balances reduce their resilience to fund unforeseen budget pressures in future years.

What we found

- 23 Last year, we found that the Council's General Fund was in line with its reserves strategy, but usable reserves overall were comparatively low and continued to decline.
- 24 **Exhibit 4** below shows a pattern of slowly decreasing usable reserves until the end of 2019-20 when the Council added a £1.8 million year-end surplus to its Council Fund. This was a prudent approach given the emerging pandemic and the potential need to draw on reserves in 2020-21 to fund COVID-related expenditure.

- 25 Over recent years, the Council's level of usable reserves as a proportion of its net cost of services has varied between the third and fifth lowest in Wales.

Exhibit 4: amount of reserves versus annual budget

This exhibit shows the amount of usable reserves the Council had during 2020-21 and the previous four years as a proportion of the net cost of the services the Council delivers.

	2016-17	2017-18	2018-19	2019-20	2020-21
Net Cost of Services in £ millions ⁴	147.0	149.2	153.9	158.8	174.0
Total Usable Reserves in £ millions ⁵	15.2	14.7	13.5	14.9 ⁶	18.9
Total Usable Reserves as a percentage of the net cost of services ⁷	10.3%	9.9%	8.8%	9.4%	10.9%
Comparison with the other councils of Wales	18th	20th	20th	19th	

- 26 The Council indicated that it might need to draw on the Council Fund to balance its budget in 2020-21 if mitigating budgetary actions were insufficient to address forecast overspends. However, the improved forecast position at the end of December 2020 meant this was no longer necessary. Usable earmarked reserves increased by £169,000 in 2020-21 and the Council is proposing to use its 2020-21 year-end surplus to further boost its usable reserves.
- 27 Similarly, draft budget proposals for 2021-22 initially outlined planned use of £748,000 of the Council Fund. But following adjustments to the draft proposals, the Council no longer needs to draw on the Fund to balance the budget. The Council plans to draw on earmarked reserves in 2021-22.
- 28 Although the capital receipts reserve is not included in our definition of usable reserves, its use to fund revenue expenditure is worthy of comment. At the end of 2019-20, the capital receipts reserve balance was £3.2 million (down from £4.6 million in 2018-19). The Council planned to use £2.1 million of capital receipts in

⁴ Value used is the net cost of services charged to the general fund from the Expenditure Funding Analysis, less any Housing Revenue Account cost of services, plus precepts, levies and debt interest. Source: Statement of Accounts and 2020-21 outturn report

⁵ By usable reserves we mean the total general fund balance, together with earmarked reserves that councils are not legally prevented from redirecting to use for another purpose. Source: Statement of Accounts and 2020-21 outturn report

⁶ The £1.4 million increase to total usable reserves in 2019-20 includes the £1.8 million year-end surplus added to the Council Fund less £0.4 million of earmarked reserves used in-year.

⁷ Audit Wales calculation.

2020-21 and a further £2.2 million in 2021-22 through the Welsh Government's directive on flexible use of capital receipts. However, reduced service activity during the year meant that the Council instead used £1 million of capital receipts. The Council forecasts the capital receipts reserve balance will be £9.2 million at the end of 2020-21, once new receipts are also accounted for. The directive allows the Council to use capital receipts to fund eligible revenue costs such as those incurred in the transformation of services. Although this helps relieve the pressure on revenue budgets in the short term, it impacts on the Council's ability to fund capital projects over the medium to long term. Continued use of the capital receipts reserve in this way could therefore result in the Council needing to borrow more extensively to fund future capital projects.

- 29 The Council recognises that its usable reserves are at low levels and that use of these reserves – and the capital receipts reserve – is not sustainable long term. It has made this clear in budget reports to members, referencing the 'historically low levels' of reserves.
- 30 The Council told us that it finds it challenging to build up its reserves whilst continuing to deliver services. The latest budget monitoring report to members recommends that any year-end surplus be used to provide Cabinet with some headroom for policy choices, which could include strengthening the Council's reserves to meet future financial challenges. This follows last year's decision to add the 2019-20 year-end surplus to the Council Fund reserve. Continuing to increase its usable reserves will put the Council in a stronger position to meet future financial challenges. Particularly in the context of the forecast budget gaps in the MTFP and uncertainty over Welsh Government funding for COVID-related costs over the medium term.
- 31 The Council plans to review its existing reserve strategy over the next year to ensure it is suitable for the medium to long term. This is likely to focus on reviewing earmarked reserves to ensure they correlate to specific risks and are used as intended. Any potential year-end surplus available to supplement reserves is therefore likely to increase earmarked reserves levels rather than the Council Fund.

The Council continues to balance its budget through in-year actions, although it continues to experience significant cost pressures and overspends in certain service areas

Why accurately forecasting expenditure is important

- 32 It is important that overspending and underspending are kept under control and that actual expenditure is as close to the levels planned as possible. A council that is unable to accurately forecast and plan expenditure runs the risk of creating unforeseen financial pressures that may compromise the ability to set a balanced

budget. Significant patterns of underspending may be reducing the ability of a council to deliver its key objectives or meet its statutory responsibilities.

What we found

- 33 Last year, we found that while the Council had underspent against its budget in recent years, significant demand-led budget pressures were placing considerable strain on future budgets.
- 34 Since then, the Council achieved a £1.8 million (1.1%) underspend in 2019-20. During the year, the Council received a £2.3 million one-off VAT receipt relating to exempt leisure service income. Further actions delivered by the Council included:
- flexible use of capital receipts;
 - delivery of additional in-year savings;
 - underspends in corporate services helping to offset overspends in services experiencing more severe cost pressures;
 - reducing non-essential spending; and
 - vacancy management.
- 35 The Council's month-9 budget monitoring report forecasts a £142,000 underspend in 2020-21 once COVID-related funding is accounted for. This has also been achieved using the techniques above (other than the VAT refund).
- 36 However, at the time of our fieldwork, the Council had received notification from the Welsh Government of additional COVID-19-related grant funding. This has resulted in a year-end surplus of £4.1 million. The Council proposes to use this surplus to replenish earmarked reserves to provide it with greater financial resilience.

Exhibit 5: amount of overspend/underspend relative to total net revenue budget

The following exhibit shows the amount of overspend or underspend for the Council's overall net revenue budget for the last five years.

	2016-17	2017-18	2018-19	2019-20	2020-21
Original Net revenue budget £ millions ⁸	148.7	152.1	157.8	161.8	170.4
Actual Net Revenue Outturn ⁹	147.8	151.5	157.8	160.0	166.3
Amount of overall surplus/overspend ¹⁰	0.9	0.6	0.05	1.8	4.1
Percentage difference from net revenue budget	0.6%	0.4%	0.03%	1.1%	2.4%

⁸ Source: Council Outturn reports for 2016-17 to 2020-21

⁹ Source: Council Outturn reports for 2016-17 to 2020-21

¹⁰ Audit Wales calculation.

- 37 Many cost pressures and overspends in 2020-21 are related to additional expenditure or lost income caused by COVID-19. However, some Council services have recurring overspends which pre-date the pandemic. These include:
- Children's Services, particularly costs relating to looked after children
 - Additional learning needs
 - Passenger transport
 - Waste services
- 38 The Council is exploring ways to manage some of these cost pressures. For example, a review of school transport is underway, and the waste service is applying several service changes. Children's Services have implemented several measures to help manage demand within Looked after Children and the Council reports it is starting to see early signs of the impact of these initiatives, with the number of looked after children starting to stabilise during 2020-21.

The COVID-19 pandemic has affected the Council's ability to achieve its planned savings for 2020-21

Why the ability to identify and deliver savings plans is important

- 39 The ability to identify areas where specific financial savings can be made, and to subsequently make those savings, is a key aspect of ensuring ongoing financial sustainability against a backdrop of increasing financial pressures. Where savings plans are not delivered this can result in overspends that require the use of limited reserves whilst increasing the level of savings required in future years to compensate for this. Where savings plans are not delivered and service areas are required to make unplanned savings, this increases the risk either of savings not being aligned to the Council's priorities, or of 'short-term' solutions that are not sustainable over the medium term.

What we found

- 40 Last year, we found that the Council had a variable record of delivering planned savings, which can contribute to in-year financial pressures.
- 41 **Exhibit 6** shows that the Council achieved 84% of planned savings in 2019-20.
- 42 The Council had £4.9 million of planned savings in 2020-21 but the pandemic has affected delivery of some savings proposals. The Council forecasts that it will deliver 85% (£4.2 million) of the total planned savings.
- 43 Of the £0.7 million undelivered savings, the Council estimates that £0.6 million is related to the impact of COVID-19.

Exhibit 6: savings delivered as a percentage of planned savings

The following exhibit sets out how much money the Council intended to save from its savings plans between 2016-17 and 2020-21 and how much of this it actually saved.

	2016-17	2017-18	2018-19	2019-20	2020-21
Total planned savings in £ millions ¹¹	3.7	5.3	5.1	6.4	4.9
Planned savings achieved in £ millions ¹²	2.4	4.9	4.1	5.4	4.2
Planned savings not achieved in £ millions	1.3	0.4	1.0	1.1	0.7
Percentage of savings achieved	66%	93%	81%	84%	85%

Although the Council's liquidity position is low, the Council believes its cash flow is sufficient to meet its liabilities

Why the Council's liquidity position is important

- 44 Why gauging current assets to current liabilities (liquidity) is important:
- it is an indicator of how a council manages its short-term finances.
 - while it is commonly used to examine whether organisations are able to pay their debts in the short term, this is unlikely to be a risk for councils given their ability to take short-term borrowing. It does also, however, act as an indicator of how a council manages its short-term finances.
 - councils with low liquidity ratios should ensure they have arrangements in place to meet their liabilities.
 - there may be additional costs for councils that rely on short-term borrowing to pay debts.
 - councils with very high liquidity ratios should consider whether they are managing their current assets in the most effective way.

What we found

- 45 The Council has a trend of decreasing liquidity over recent years as its current liabilities have increased.
- 46 **Exhibit 7** below, shows that the Council's current liabilities increased by £70.6 million (128%) between 2015-16 and 2019-20. Over the same period, the

¹¹ Source: Council's revenue outturn statements

¹² Source: Council's revenue outturn statements

Council's current assets increased by £6.4 million (12%). As a result, the Council's working capital ratio has fallen from 1 to 0.5 and is the second lowest in Wales.

- 47 The projected liquidity ratio for 2020-21 is 0.4.
- 48 The Council does not see its liquidity position as a key risk as regular cash receipts ensure it is able to meet its current liabilities.

Exhibit 7: working capital ratio 2015-16 to 2020-21

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21 estimate
Current Assets ¹³	52.7	29.7	40.9	53.7	59.1	55.7
Current Liabilities ¹⁴	55.3	52.3	91.7	105.1	125.9	125.2
Working Capital Ratio	1.0	0.6	0.4	0.5	0.5	0.4
Average working Capital Ratio across all Welsh councils	16th	20th	21st	21st	21st	

¹³ Current Assets includes: Short Term Investments; Assets held for sale; Inventories; Short Term Debtors; and Cash and equivalent. Source: 2015-16 – 2019-20: Council's Statement of Accounts; 2020-21: provided by the Council

¹⁴ Current Liabilities includes: Short Term Borrowing; Short Term Creditors; and Provisions due in one year. Source: 2015-16 – 2019-20: Council's Statement of Accounts; 2020-21: provided by the Council



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Monmouthshire County Council – Financial Sustainability Assessment – draft report feedback

Document reference: 2503A2021-22

Date issued: July 2021

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Report text	Council Comments – email from Peter Davies 25.06.21	Audit Wales response
<p>Para 13 - Last year we found that the Council did not yet have a financial strategy to support financial resilience and sustainability over the medium term</p>	<p>There is a specific recommendation for the Council to develop a/its financial strategy. I think this will get incorporated as we look to revise the layout and format of the MTFP budget report we bring through in Sept/Oct time. This will in turn capture and deal with the two proposals for improvement listed around pressures and savings plans.</p>	<p>Para 13 reflects the heading reported in last year's financial sustainability report. We acknowledge the points you've made and they seem a reasonable response to the proposals for improvement in the draft report. You may want to include this comment in your management response to the report.</p>
<p>Para 26 - The Council indicated that it might need to draw on the Council Fund to</p>	<p>Last two sentences need to be tidied up to refer to the net contribution made to earmarked reserves as part</p>	<p>Having reviewed your proposed wording, we're happy that this accurately reflects</p>

Report text	Council Comments – email from Peter Davies 25.06.21	Audit Wales response
<p>balance its budget in 20-21 if mitigating budgetary actions were insufficient to address forecast overspends. However, the improved forecast position at the end of December 2020 meant this was no longer necessary. Usable earmarked reserves increased by £169k in 20-21 and the Council is proposing to use its 20-21 year-end surplus to further boost its usable reserves.</p>	<p>of outturn. Jon has provided the following proposed revised wording:</p> <p>The Council indicated that it might need to draw on the Council Fund to balance its budget in 20-21 if mitigating budgetary actions were insufficient to address forecast overspends. However, the improved forecast position at the end of December 2020 meant this was no longer necessary. At the end of December 2020 usable earmarked reserves were forecast to reduce by £849k during 20-21, however the Council is proposing to use its 20-21 year-end surplus to further boost its usable reserves.</p>	<p>the position and have amended the paragraph accordingly.</p>
<p>Para 46 - Exhibit 7 below, shows that the Council's current liabilities increased by £70.6m (128%) between 2015-16 and 2019-20. Over the same period, the Council's current assets increased by £6.4m (12%). As a result, the Council's working capital ratio</p>	<p>Jon has provided below the liquidity ratio and as I've asked him to offer a revised form of words for paras 46-48 to explain our current assets and liabilities and why we don't see a notable liquidity risk for the Council.</p> <p>46 Exhibit 7 below, shows that the Council's current liabilities increased by £70.6m (128%) between 2015-16 and 2019-20. Over the same period, the Council's current assets increased by £6.4m (12%). As a result,</p>	<p>No changes to para 46 proposed.</p>

Report text	Council Comments – email from Peter Davies 25.06.21	Audit Wales response
has fallen from 1 to 0.5 and is the second lowest in Wales.	the Council's working capital ratio has fallen from 1 to 0.5 and is the second lowest in Wales.	
Para 47 - The projected liquidity ratio for 2020-21 is [TBC once current assets and liabilities are known].	The projected liquidity ratio for 2020-21 is 0.4	We have updated para 47 to confirm a 0.4 projected liquidity ratio for 20/21.
Para 48 - The Council does not see its liquidity position as a key risk as regular cash receipts ensure it is able to meet its current liabilities.	Proposed wording: The reduction in working capital ratio over the last few years has been primarily due to a tactical treasury strategy to favour short term borrowing or utilising internal resources over long term borrowing. This strategy is expected to remain in the near term until such time that capital investment plans crystallise and/or market conditions change. The Council does not see its liquidity position as a key risk as regular cash receipts ensure it is able to meet its current liabilities.	Having reviewed your proposed wording, we're happy that this accurately reflects the position and have amended the paragraph accordingly.
Exhibit 7 – working capital ratio 20-21 estimate Current Assets 37.5	Current Assets 55.7 Current Liabilities 125.2	Exhibit 7 has been updated to reflect the year end figures provided.

Report text	Council Comments – email from Peter Davies 25.06.21	Audit Wales response
Current Liabilities 87.0 Working Capital Ratio 0.4	Working Capital Ratio 0.4	
	<p>Finally the fundamental and key thing missing from the report is a recognition of the key financial risks facing the Council in the future as stand here currently:</p> <ol style="list-style-type: none"> 1. The COVID Hardship Fund ended as things stand on 30th September and the significant potential pressure that this will place on the Council this year and going forward and until such time as COVID income losses and cost pressures fall away. 2. The uncertainty that surrounds WG funding and the settlement for 22-23 and over the medium term and in the absence of a CSR that enables WG to be able to offer indicative settlements for future years. 3. Services pressures falling on the Council and that extend now further into supporting communities post pandemic. Along with policy commitments around decarbonisation etc. 	<p>Brief reference was made in paras 20 and 30 to WG indicative settlements and COVID funding but we have updated para 20 to more fully reflect these points:</p> <p><i>However, the MTFP does not set out how the Council plans to close the funding gap beyond 2021-22. The Council recognises the need to develop a balanced MTFP and acknowledges this in the 2021-22 budget papers. However, it faces challenges in doing so. Key barriers and risks include:</i></p> <ul style="list-style-type: none"> • <i>uncertainty over medium-term funding from Welsh Government, due to a lack of indicative settlement figures and changes to COVID-19 funding. Welsh Government's COVID-19 Hardship Fund is due to end on 30th September 2021, at which point the Council will no longer be able</i>

Report text	Council Comments – email from Peter Davies 25.06.21	Audit Wales response
		<p><i>to recoup ongoing cost pressures and income losses linked to the pandemic;</i></p> <ul style="list-style-type: none">• <i>service pressures – both existing and newly emerging pressures brought about by the pandemic; and</i>• <i>the impact of the local government election cycle on financial decision making.</i>

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Asesiad o Gynaliadwyedd Ariannol – Cyngor Sir Fynwy

Blwyddyn archwilio: 2020-21

Mis/Blwyddyn Cyhoeddi: Gorffennaf 2021

Cyfeirnod y ddogfen: 2503A2021-22

Paratowyd y ddogfen hon fel rhan o waith a gyflawnir yn unol ag adran 17 Deddf Archwilio Cyhoeddus (Cymru) 2004 (Deddf 2004) ac adran 18 Mesur Llywodraeth Leol (Cymru) 2009. Gall hefyd oleuo astudiaeth ar gyfer gwella gwerth am arian dan adran 41 Deddf 2004, a/neu archwiliad a gyflawnir gan yr Archwilydd Cyffredinol dan adran 15 Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) 2015.

Ni dderbynnir unrhyw atebolrwydd gan yr Archwilydd Cyffredinol na staff Archwilio Cymru mewn perthynas ag unrhyw aelod, cyfarwyddwr, swyddog neu gyflogai arall yn eu cymhwyster unigol, nac mewn perthynas ag unrhyw drydydd parti.

Os ceir cais am wybodaeth y gall y ddogfen hon fod yn berthnasol iddi, tynnir sylw at y Cod Ymarfer a gyhoeddwyd o dan adran 45 Deddf Rhyddid Gwybodaeth 2000. Mae Cod adran 45 yn nodi'r arfer o ran trin ceisiadau a ddisgwylir gan awdurdodau cyhoeddus, gan gynnwys ymgynghori â thrydydd partiön perthnasol. Mewn perthynas â'r ddogfen hon, mae Archwilydd Cyffredinol Cymru ac Archwilio Cymru yn drydydd partiön perthnasol. Dylid anfon unrhyw ymholiadau ynglŷn â datgelu neu aildddefnyddio'r ddogfen hon at Archwilio Cymru yn swyddog.gwybodaeth@archwilio.cymru.

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Saesneg. This document is also available in English.

Cynnwys

Mae gan y Cyngor ddealltwriaeth dda am ei sefyllfa ariannol, ond mae'r sefyllfa honno'n gryn her gyda phwysau sylweddol o ran gwariant, balansau isel mewn cronfeydd wrth gefn ac arbedion yn dod yn anos i'w cyflawni.

Yr hyn y gwnaethom fwrw golwg arno a pham 4

Mae gan y Cyngor ddealltwriaeth dda am ei sefyllfa ariannol, ond mae'r sefyllfa honno'n gryn her gyda phwysau sylweddol o ran gwariant, balansau isel mewn cronfeydd wrth gefn ac arbedion yn dod yn anos i'w cyflawni 6

Mae effaith uniongyrchol COVID-19 ar gynaliadwyedd ariannol y Cyngor wedi cael ei lliniaru gan gyllid ychwanegol gan Lywodraeth Cymru 6

Gall y Cyngor adnabod ei fwch o ran cyllid yn y tymor canolig, ond mae heriau'n dal i fodoli o ran cau'r bwch hwnnw ac mae'r Cyngor yn cydnabod yr angen am gynlluniau arbedion tymor canolig 7

Mae'r Cyngor wedi cynyddu balansau ei gronfeydd wrth gefn yn ddiweddar ar ôl cyfnod o ddirywiad, ond mae lefelau'n dal i fod yn isel ac mae'r defnydd cyfredol o dderbyniadau cyfalaf i ariannu gwariant refeniw'n anghynaliadwy yn y tymor hir 10

Mae'r Cyngor yn parhau i fantoli ei gyllideb trwy gamau gweithredu yn ystod y flwyddyn, er ei fod yn parhau i brofi pwysau sylweddol o ran costau a gorwariannau mewn rhai meysydd gwasanaeth 13

Mae pandemig COVID-19 wedi effeithio ar allu'r Cyngor i gyflawni ei arbedion wedi'u cynllunio ar gyfer 2020-21 15

Er bod sefyllfa hylifedd y Cyngor yn isel, mae'r Cyngor yn credu bod ei lif arian parod yn ddigonol i gyflawni ei rwymedigaethau 16

Yr hyn y gwnaethom fwrw golwg arno a pham

- 1 Fe gynhaliom ni'r asesiad hwn gan bod cynaliadwyedd ariannol yn dal i fod yn risg i allu cynghorau i sefydlu trefniadau priodol i sicrhau gwerth am arian wrth ddefnyddio adnoddau. Yn rhannol, cafodd hyn ei oleuo gan brofiadau rhai cynghorau yn Lloegr, ein gwybodaeth am y sefyllfa ariannol mewn cynghorau yng Nghymru, a'r duedd gyffredinol o ran adnoddau gostyngol ar gyfer llywodraeth leol ar y cyd â galw cynyddol am rai gwasanaethau. Fe gynhaliom ni brosiect tebyg yn 2019-20, cyn pandemig COVID-19.
- 2 Cynhaliwyd ein hasesiad yn 2020-21 o gynaliadwyedd ariannol cynghorau mewn dau gam. Roedd Cam 1 yn asesiad sylfaenol o effaith gychwynnol COVID-19 ar sefyllfa ariannol cynghorau lleol. Roedd Cam 1 yn seiliedig ar: y sefyllfa diwedd blwyddyn ar gyfer 2019-20; y sefyllfa ar ddiwedd chwarter 1 ar gyfer 2020-21; ac amcanestyniadau ar gyfer chwarter 2 yn 2020-21. Yn dilyn Cam 1, ym mis Hydref 2020 fe gyhoeddodd ni adroddiad cryno cenedlaethol – **Cynaliadwyedd Ariannol Llywodraeth Leol o ganlyniad i Bandemig COVID-19**¹. Canfuom fod cynghorau a Llywodraeth Cymru wedi cydweithio'n dda i liniaru effaith y pandemig hyd yma, ond bod cynaliadwyedd y sector yn y dyfodol yn her barhaus.
- 3 Mae'r pandemig wedi cael effaith uniongyrchol a dwfn ar gyllid y sector cyhoeddus yn ei gyfanrwydd ac, o ganlyniad, ar sefyllfa ariannol cynghorau. Roedd yr adroddiad cryno'n nodi sefyllfa sylfaenol lefel uchel, gan gynnwys sefyllfa cynghorau lleol o ran eu cronfeydd wrth gefn cyn y pandemig. Roedd hefyd yn nodi goblygiadau ariannol cychwynnol y pandemig i gynghorau lleol a maint yr her a ddisgwyliid wrth edrych tua'r dyfodol.
- 4 Mae'r adroddiad hwn yn benllanw ar gam 2 ein gwaith i asesu cynaliadwyedd ariannol yn ystod 2020-21. Fel rhan o hyn rydym yn cynhyrchu adroddiad lleol ar gyfer pob un o'r 22 o brif gynghorau yng Nghymru.
- 5 Fe gynhaliom ni'r asesiad hwn yn ystod mis Chwefror a mis Mawrth 2021.

¹ Archwilio Cymru, [Cynaliadwyedd Ariannol Llywodraeth Leol o Ganlyniad i Bandemig COVID-19](#), Hydref 2020.

Cynigion ar gyfer gwella

Arddangosyn 1: cynigion ar gyfer gwella

Mae'r tabl isod yn nodi'r cynigion ar gyfer gwella yr ydym wedi'u hadnabod yn dilyn yr adolygiad hwn.

Cynigion ar gyfer gwella

- C1 I sicrhau bod ei Gynllun Ariannol Tymor Canolig yn rhagfynegi gofynion o ran cyllid yn y dyfodol mor gywir â phosibl, dylai'r Cyngor:
- fynd ati'n rheolaidd i adolygu ei amcangyfrifon o bwysau o ran costau yn y dyfodol i sicrhau eu bod yn rhesymol ac yn adlewyrchu lefelau diweddar y pwysau o ran costau.
- C2 I bontio'i fwlch o ran cyllid a amcangyfrifir yn y dyfodol a chyfrannu at gryfhau ei gynaliadwyedd ariannol, dylai'r Cyngor:
- ddatblygu a chyflawni rhaglen o arbedion wedi'u cynllunio cynaliadwy dros y tymor canolig.

Mae gan y Cyngor ddealltwriaeth dda am ei sefyllfa ariannol, ond mae'r sefyllfa honno'n gryn her gyda phwysau sylweddol o ran gwariant, balansau isel mewn cronfeydd wrth gefn ac arbedion yn dod yn anos i'w cyflawni

Mae effaith uniongyrchol COVID-19 ar gynaliadwyedd ariannol y Cyngor wedi cael ei lliniaru gan gyllid ychwanegol gan Lywodraeth Cymru

- 6 Mae'r adran hon yn nodi'r effaith y mae COVID-19 wedi'i chael hyd yma ar sefyllfa ariannol y Cyngor ac i ba raddau y mae wedi cael ei lliniaru gan gyllid ychwanegol gan Lywodraeth Cymru.

Yr hyn a ganfuom

- 7 Mae'r Cyngor yn amcangyfrif y bydd y pandemig wedi costio £19.6 miliwn iddo yn 2020-21. Mae hyn yn cynnwys £11.3 miliwn o wariant ychwanegol a cholledion incwm o £8.4 miliwn.
- 8 Mae'r Cyngor yn disgwyl y bydd y costau hyn yn cael eu hariannu'n llawn gan Lywodraeth Cymru.
- 9 Ym mis Mehefin 2020, fe wnaeth y Cyngor asesu'r risgiau ariannol yr oedd yn eu hwynebu yn sgîl y pandemig. Roedd hyn yn cynnwys asesiad o gronfeydd wrth gefn y Cyngor ac o waith posibl i ail-flaenoriaethu cronfeydd wrth gefn i gwrdd ag unrhyw bwysau sy'n gysylltiedig â COVID-19 na fyddent yn cael eu hariannu â chyllid gan Lywodraeth Cymru. Mae'r Cyngor yn parhau i adolygu'r risgiau ac mae'r rhain yn goleuo adroddiadau monitro'r gyllideb rheolaidd yn ogystal â'i Gofrestr Risgiau Corfforaethol. Mae'r Cyngor hefyd wedi cynyddu mynychder ei adroddiadau monitro'r gyllideb i sicrhau bod aelodau etholedig yn cael gwybodaeth amserol am faterion ariannol sy'n dod i'r amlwg.
- 10 Mae'r Cyngor wedi modelu pwysau colli incwm ar gyfer 2021-22 a achoswyd gan y pandemig ond nid oes unrhyw gynlluniau ganddo i leihau ei ffioedd a thaliadau. Mae papurau terfynol y gyllideb ar gyfer 2021-22 yn dangos cynnydd cyfartalog mewn ffioedd a thaliadau o 2.5% ond mae hyn yn amrywio fesul gwasanaeth ac yn seiliedig ar farn swyddogion ynglŷn â'r hyn y gall y farchnad ei fforddio yn eu tyb hwy.
- 11 Mae'r Cyngor wedi penderfynu cadw ei gyfradd casglu'r dreth gyngor ar 99% ar gyfer 2021-22 hefyd. Mae'r Cyngor yn ystyried bod hon yn dybiaeth resymol yn seiliedig ar adolygiad o gyfraddau hanesyddol a chyfraddau casglu yn ystod 2020-21.

Arddangosyn 2: cost COVID-19 i'r Cyngor yn ystod 2020-21²

Mae'r tabl isod yn dangos gwariant ychwanegol y Cyngor a'r incwm a gollwyd ganddo yn ystod 2020-21 o ganlyniad i COVID-19 yn ôl yr amcangyfrifon, a faint o hyn a liniarwyd gan gyllid ychwanegol gan Lywodraeth Cymru.

Y swm ychwanegol y mae'r Cyngor yn amcangyfrif y bydd wedi ei wario o ganlyniad i COVID-19 yn ystod 2020-21.	£11.3 miliwn
Swm yr incwm y mae'r Cyngor yn amcangyfrif y bydd wedi'i gollu o ganlyniad i COVID-19 yn ystod 2020-21.	£8.4 miliwn
Swm y cyllid ychwanegol y mae'r Cyngor yn amcangyfrif y bydd yn ei gael gan Lywodraeth Cymru yn ystod 2020-21 i liniaru effaith COVID-19: <ul style="list-style-type: none">• Y Gronfa Galedi – £19.6 miliwn• Grantiau eraill sy'n gysylltiedig â COVID-19 – £3.1 miliwn	£22.7 miliwn
Cost COVID-19 i'r Cyngor yn ystod 2020-21, ar ôl ystyried y cyllid ychwanegol a ddarparwyd gan Lywodraeth Cymru.	£0

Gall y Cyngor adnabod ei fwllch o ran cyllid yn y tymor canolig, ond mae heriau'n dal i fodoli o ran cau'r bwllch hwnnw ac mae'r Cyngor yn cydnabod yr angen am gynlluniau arbedion tymor canolig

Pam fod cynllunio ariannol strategol yn bwysig

- 12 Mae strategaeth ariannol eglur a chadarn yn bwysig i adnabod lefel debygol y cyllid sydd ar gael i gyngor, yn ogystal â lefel ddisgwyliedig y galw am wasanaethau a chost eu darparu. O ystyried y pwysau diweddar a'r pwysau a ddisgwyllir o ran cyllid ar gyfer yr holl gynghorau mae hefyd yn bwysig adnabod sut y mae'n bwriadu ymateb i'r pwysau hynny, ac yn arbennig sut y bydd yn cwrdd â bylchau a ragamcanir o ran cyllid.

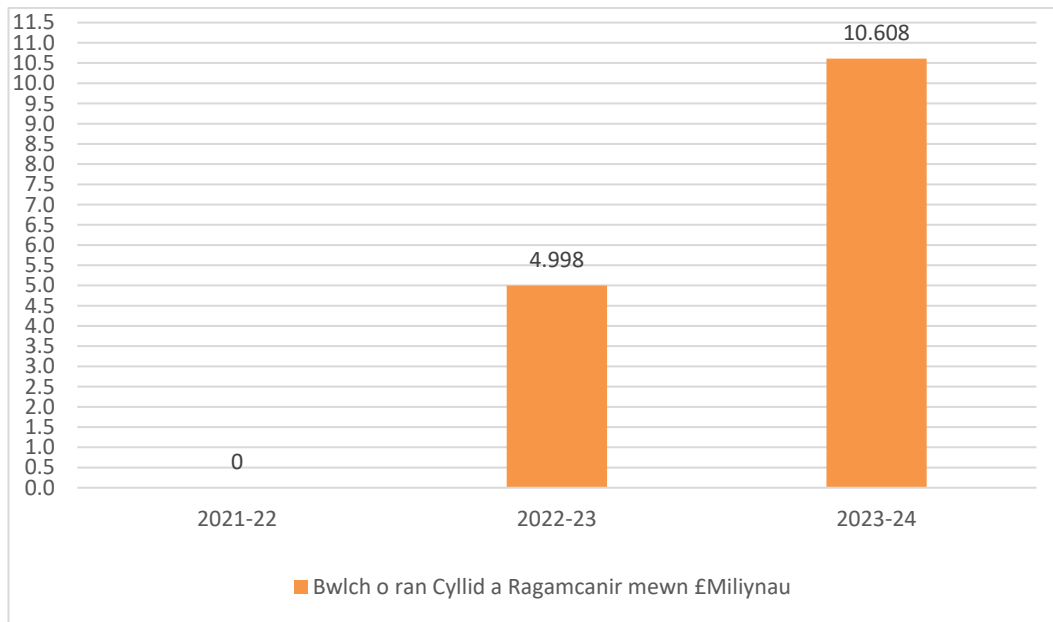
² Ffynhonnell: Adroddiad Alldro 2020-21

Yr hyn a ganfuom

- 13 Y llynedd canfuom nad oedd gan y Cyngor eto strategaeth ariannol i gefnogi cydnerthedd ariannol a chynaliadwyedd dros y tymor canolig.
- 14 Mae'r Cynllun Ariannol Tymor Canolig (CATC) diweddaraf a phapurau diweddaraf y gyllideb yn cynnwys rhagolygon manwl ar gyfer pwysau ariannol yn 2021-22, ond dim ond pwysau cyfyngedig o ran costau sydd wedi cael eu hadnabod ar gyfer y tair blynedd sy'n weddill o'r CATC. Mae'r CATC yn cynnwys darpariaeth o £5 miliwn y flwyddyn ar gyfer pwysau heb eu nodi o 2022-23. Mae'r amcangyfrif hwn yn seiliedig ar lefelau hanesyddol pwysau ac mae wedi cael ei gynyddu o £2.5 miliwn. Fodd bynnag, dros y blynyddoedd diwethaf, mae pwysau o ran costau a adnabuwyd fel rhan o broses pennu'r gyllideb yn aml wedi bod yn uwch na £5 miliwn, gan amrywio o £5.6 miliwn yng nghyllideb 2018-19 i £10.3 miliwn yng nghyllideb 2021-22. Byddai'n ddoeth, felly, pe bai'r Cyngor yn adolygu'r amcangyfrif hwn bob blwyddyn i sicrhau ei fod yn adlewyrchu lefelau diweddar y pwysau o ran costau.
- 15 Mae'r Cyngor yn gwneud gwaith mwy manwl i adnabod maint y pwysau yn nes at y flwyddyn dan sylw a thrwy broses flynyddol y gyllideb. Mae pwysau na ellir eu rheoli o fewn y gwasanaeth yn cael eu hystyried fel rhan o broses pennu'r gyllideb ac yn cael eu herio gan swyddogion ac aelodau.
- 16 Dengys **Arddangosyn 3** nad oes gan y Cyngor unrhyw fwch o ran cyllid a ragamcanir ar gyfer 2021-22 (unwaith y rhoddyd ystyriaeth i arbedion wedi'u cynllunio) ond bod bwch o £5 miliwn yn dal i fodoli ar gyfer 2022-23 a £10.6 miliwn ar gyfer 2023-24. Mae'r ffigyrau hyn yn gronnus, felly gan dybio y bydd y Cyngor yn adnabod £5 miliwn o arbedion cylchol ar gyfer 2022-23, bydd hyn hefyd yn arwain at leihad o £5 miliwn yn y bwch o ran cyllid ar gyfer 2023-24.

Arddangosyn 3: mae gan y Cyngor gyfanswm bwloch o ran cyllid a ragamcanir ar gyfer y tair blynedd rhwng 2021-22 a 2023-24 o £15.6 miliwn

Mae'r graff hwn yn dangos y bwloch o ran cyllid y mae'r Cyngor wedi'i nodi ar gyfer y tair blynedd ganlynol³.



- 17 I oleuo cynllunio ariannol ac adnabod eu bylchau o ran cyllid a ragamcanir, mae'r holl gynghorau'n gwneud tybiaethau ynghylch ffactorau a fydd yn effeithio ar faint o gyllid fydd ar gael iddynt mewn blynnyddoedd yn y dyfodol. Mae tybiaethau'r Cyngor yn ei SATC yn darparu rhagolwg fantoledig ar adeg ei chyhoeddi o'i gymharu â'r tybiaethau a wnaed gan yr holl Gynghorau ledled Cymru.
- 18 Mae'r Cyngor yn adolygu ac yn herio'r tybiaethau yn ei CATC yn rheolaidd. Mae swyddogion yn egluro'r rhesymeg dros y tybiaethau wrth aelodau etholedig. Gall y bwloch o ran cyllid gynyddu os yw pwysau o ran costau mewn blynnyddoedd yn y dyfodol yn uwch na'r amcangyfrif o £5 miliwn sydd wedi'i gynnwys yn y CATC.
- 19 Mae'r Cyngor eisoes wedi cau'r bwloch o ran cyllid ar gyfer 2021-22 fel rhan o broses y gyllideb. Cyflawnodd hyn trwy:
 - gynydd o 3.89% yn y Dreth Gyngor;
 - setliad gwell na'r disgwyl gan Lywodraeth Cymru; ac
 - arbedion o £4.7 miliwn i'w cyflawni yn y flwyddyn.
- 20 Fodd bynnag, nid yw'r CATC yn nodi sut y mae'r Cyngor yn bwriadu cau'r bwloch o ran cyllid y tu hwnt i 2021-22. Mae'r Cyngor yn cydnabod yr angen i ddatblygu CATC mantoledig ac yn cydnabod hyn ym mhapurau'r gyllideb ar gyfer 2021-22.

³ Ffynhonnell: Cynigion Terfynol y Gyllideb Refeniw a Chyfalaf a gyflwynwyd i'r Cyngor ar 11 Mawrth 2021

Fodd bynnag, mae'n wynebu heriau wrth wneud hynny. Mae rhwystrau a risgiau allweddol yn cynnwys:

- ansicrwydd ynghylch cyllid tymor canolig gan Lywodraeth Cymru, oherwydd diffyg ffigyrau dangosol ar gyfer setliadau a newidiadau i gyllid COVID-19. Mae Cronfa Galedi COVID-19 Llywodraeth Cymru i fod i ddod i ben ar 30 Medi 2021, ac ar ôl hynny ni fydd y Cyngor yn gallu adfer pwysau parhaus o ran costau a cholledion incwm parhaus sy'n gysylltiedig â'r pandemig.
- pwysau ar wasanaethau – yn bwysau presennol a phwysau sy'n dod i'r amlwg o'r newydd o ganlyniad i'r pandemig.
- effaith cylch etholiadau llywodraeth leol ar wneud penderfyniadau ariannol.

- 21 Yn dilyn blynyddoedd lawer o doriadau i gyllidebau ac arbedion effeithlonrwydd, mae'n dod yn fwyfwy anodd i'r Cyngor adnabod a chyflawni arbedion yn flynyddol. Mae'r Cyngor yn cydnabod yr angen i ddatblygu cynlluniau arbedion tymor canolig sy'n darparu digon o amser paratoi ac mae'r Uwch Dîm Arwain yn amcanu at ddatblygu cynlluniau arbedion tymor hwy dros y blynyddoedd nesaf. Bydd hyn yn darparu dull mwy cynaliadwy o gau bylchau yn y gyllideb yn y dyfodol ond bydd yn golygu ei bod yn ofynnol i aelodau wneud penderfyniadau tymor hwy.

Mae'r Cyngor wedi cynyddu balansau ei gronfeydd wrth gefn yn ddiweddar ar ôl cyfnod o ddirywiad, ond mae lefelau'n dal i fod yn isel ac mae'r defnydd cyfredol o dderbyniadau cyfalaf i ariannu gwariant refeniw'n anghynaliadwy yn y tymor hir

Pam ei bod yn bwysig rheoli cronfeydd wrth gefn yn gynaliadwy

- 22 Mae lefelau iach o gronfeydd wrth gefn defnyddiadwy'n rhwyd ddiogelwch bwysig i gefnogi cynaliadwyedd ariannol. Yn ogystal â bod ar gael i ariannu pwysau annisgwyl o ran cyllid, gall cronfeydd wrth gefn defnyddiadwy fod yn ffynhonnell cyllid bwysig hefyd i gefnogi mentrau 'buddsoddi i arbed' sydd wedi'u bwriadu i leihau cost barhaus darparu gwasanaethau. Mae cynghorau sy'n dangos patrwm o ddefnydd heb ei gynllunio o gronfeydd wrth gefn i lenwi bylchau yn eu cyllideb refeniw, sy'n arwain at ostyngiadau ym malansau'r cronfeydd wrth gefn, yn lleihau eu cydnheredd i ariannu pwysau cyllidebol nas rhagwelwyd mewn blynyddoedd yn y dyfodol.

Yr hyn a ganfuom

- 23 Y llynedd, canfuom fod Cronfa Gyffredinol y Cyngor yn gyson â'i strategaeth cronfeydd wrth gefn, ond bod cronfeydd wrth gefn defnyddiadwy ar y cyfan yn gymharol isel ac yn parhau i ostwng.
- 24 Mae **Arddangosyn 4** isod yn dangos patrwm o gronfeydd wrth gefn defnyddiadwy a oedd yn lleihau'n araf tan ddiwedd 2019-20 pan ychwanegodd y Cyngor warged

diwedd blwyddyn o £1.8 miliwn at Gronfa'r Cyngor. Roedd hwn yn ddull darbodus o ystyried y pandemig a oedd yn dod i'r amlwg a'r angen posibl i ddefnyddio cronfeydd wrth gefn yn 2020-21 i ariannu gwariant a oedd yn gysylltiedig â COVID.

- 25 Dros y blynyddoedd diwethaf, mae lefel y Cyngor o gronfeydd wrth gefn defnyddiadwy fel cyfran o gost net ei wasanaethau wedi amrywio rhwng y drydedd a'r bumed isaf yng Nghymru.

Arddangosyn 4: swm y cronfeydd wrth gefn o'i gymharu â'r gyllideb flynyddol

Mae'r arddangosyn hwn yn dangos swm y cronfeydd wrth gefn defnyddiadwy a oedd gan y Cyngor yn ystod 2020-21 a'r pedair blynedd flaenorol fel cyfran o gost net y gwasanaethau y mae'r Cyngor yn eu darparu.

	2016-17	2017-18	2018-19	2019-20	2020-21
Cost Net Gwasanaethau mewn £ miliynau ⁴	147.0	149.2	153.9	158.8	174.0
Cyfanswm Cronfeydd Wrth Gefn Defnyddiadwy mewn £ miliynau ⁵	15.2	14.7	13.5	14.9 ⁶	18.9
Cyfanswm Cronfeydd Wrth Gefn Defnyddiadwy fel canran o gost net gwasanaethau ⁷	10.3%	9.9%	8.8%	9.4%	10.9%
Safle o'i gymharu â chynghorau eraill Cymru	18fed	20fed	20fed	19eg	

- 26 Dynododd y Cyngor y gallai fod angen iddo ddefnyddio Cronfa'r Cyngor i fantoli ei gyllideb yn 2020-21 pe na bai camau cyllidebol lliniarol yn ddigon i fynd i'r afael â gorwariannau a ragwelir. Fodd bynnag, roedd y sefyllfa well a ragwelid ar ddiwedd mis Rhagfyr 2020 yn golygu nad oedd hyn yn angenrheidiol mwyach. Fe wnaeth cronfeydd wrth gefn defnyddiadwy wedi'u clustnodi gynyddu £169,000 yn 2020-21

⁴ Y gwerth a ddefnyddiwyd yw cost net gwasanaethau a godwyd ar y gronfa gyffredinol o'r Dadansoddiad Ariannu Gwariant, namyn unrhyw gost gwasanaethau a ariennir o'r Cyfrif Refeniw Tai, gan ychwanegu praeseptau, ardollau a llog ar ddyledion. Ffynhonnell: Datganiad Cyfrifon ac adroddiad alldro 2020-21

⁵ Wrth y term cronfeydd wrth gefn defnyddiadwy rydym yn golygu cyfanswm balans y gronfa gyffredinol, ynghyd â chronfeydd wrth gefn wedi'u clustnodi nad yw cynghorau wedi'u hatal yn gyfreithiol rhag eu hailgyfeirio i'w defnyddio ar gyfer diben arall. Ffynhonnell: Datganiad Cyfrifon ac adroddiad alldro 2020-21.

⁶ Mae'r cynnydd o £1.4 miliwn i gyfanswm y cronfeydd wrth gefn defnyddiadwy yn 2019-20 yn cynnwys y gwaged diwedd blwyddyn o £1.8 miliwn a ychwanegwyd at Gronfa'r Cyngor namyn £0.4 miliwn o gronfeydd wrth gefn defnyddiadwy a ddefnyddiwyd yn ystod y flwyddyn.

⁷ Cyfrifiad Archwilio Cymru.

ac mae'r Cyngor yn cynnig defnyddio'i warged diwedd blwyddyn ar gyfer 2020-21 i hybu ei gronfeydd wrth gefn defnyddiadwy ymhellach.

- 27 Yn yr un modd, roedd cynigion drafft y gyllideb ar gyfer 2021-22 yn nodi'n wreiddiol ddefnydd arfaethedig o £748,000 o Gronfa'r Cyngor. Ond yn dilyn addasiadau i'r cynigion drafft, nid oes angen i'r Cyngor ddefnyddio'r Gronfa mwyach i fantoli'r gyllideb. Mae'r Cyngor yn bwriadu defnyddio cronfeydd wrth gefn wedi'u clustnodi yn 2021-22.
- 28 Er nad yw'r gronfa wrth gefn derbyniadau cyfalaf wedi'i chynnwys yn ein diffiniad ni o gronfeydd wrth gefn defnyddiadwy, mae'n werth gwneud sylw am y defnydd ohoni i ariannu gwariant refeniw. Ar ddiwedd 2019-20, roedd balans y gronfa wrth gefn derbyniadau cyfalaf yn £3.2 miliwn (i lawr o £4.6 miliwn yn 2018-19). Roedd y Cyngor yn bwriadu defnyddio £2.1 miliwn o dderbyniadau cyfalaf yn 2020-21 a £2.2 miliwn arall yn 2021-22 trwy gyfarwyddeb Llywodraeth Cymru ar ddefnydd hyblyg o dderbyniadau cyfalaf. Fodd bynnag, roedd llai o weithgarwch gan wasanaethau yn ystod y flwyddyn yn golygu bod y Cyngor, yn lle hynny, wedi defnyddio £1 miliwn o dderbyniadau cyfalaf. Mae'r Cyngor yn rhagweld mai £9.2 miliwn fydd balans y gronfa wrth gefn derbyniadau cyfalaf ar ddiwedd 2020-21, unwaith y rhoddir cyfrif am dderbyniadau newydd hefyd. Mae'r gyfarwyddeb yn caniatáu i'r Cyngor ddefnyddio derbyniadau cyfalaf i ariannu costau refeniw cymwys megis y rhai a ysgwyddir wrth drawsnewid gwasanaethau. Er bod hyn yn helpu i leddfu'r pwysau ar gyllidebau refeniw yn y tymor byr, mae'n effeithio ar allu'r Cyngor i ariannu prosiectau cyfalaf dros y tymor canolig a hir. Felly gallai defnydd parhaus o'r gronfa wrth gefn derbyniadau cyfalaf yn y ffordd hon olygu y bydd angen i'r Cyngor fenthycu'n fwy helaeth i ariannu prosiectau cyfalaf yn y dyfodol.
- 29 Mae'r Cyngor yn cydnabod bod ei gronfeydd wrth gefn defnyddiadwy ar lefelau isel ac nad yw defnyddio'r cronfeydd wrth gefn hyn – a'r gronfa wrth gefn derbyniadau cyfalaf – yn gynaliadwy yn yr hirdymor. Mae wedi gwneud hyn yn glir mewn adroddiadau ar y gyllideb i aelodau, gan gyfeirio at 'lefelau hanesyddol isel' cronfeydd wrth gefn.
- 30 Dywedodd y Cyngor wrthym ei fod yn ei chael yn gryn her cronni ei gronfeydd wrth gefn a pharhau i ddarparu gwasanaethau ar yr un pryd. Mae'r adroddiad monitro'r gyllideb diweddaraf i'r aelodau'n argymhell bod unrhyw warged ar ddiwedd y flwyddyn yn cael ei ddefnyddio i roi ychydig o hyblygrwydd i'r Cabinet ar gyfer dewisiadau polisi, a allai gynnwys cryfhau cronfeydd wrth gefn y Cyngor i ymateb i heriau ariannol yn y dyfodol. Mae hyn yn dilyn penderfyniad y llynedd i ychwanegu'r gwagedd ar ddiwedd y flwyddyn yn 2019-20 at Gronfa'r Cyngor. Bydd parhau i gynyddu ei gronfeydd wrth gefn defnyddiadwy yn rhoi'r Cyngor mewn sefyllfa gryfach i ymateb i heriau ariannol yn y dyfodol. Yn enwedig yng nghydestun y bylchau yn y gyllideb a ragwelir yn y CATC ac ansicrwydd ynghylch cyllid gan Lywodraeth Cymru ar gyfer costau sy'n gysylltiedig â COVID yn y tymor canolig.
- 31 Mae'r Cyngor yn bwriadu adolygu ei strategaeth bresennol ar gyfer cronfeydd wrth gefn dros y flwyddyn nesaf i sicrhau ei bod yn addas ar gyfer y tymor canolig a hir. Mae hyn yn debygol o ganolbwyntio ar adolygu cronfeydd wrth gefn wedi'u

clustnodi i sicrhau eu bod yn cydberthyn â risgiau penodol ac yn cael eu defnyddio fel a fwriadwyd. Felly mae unrhyw warged diwedd blwyddyn sydd ar gael i ategu cronfeydd wrth gefn yn debygol o gynyddu lefelau cronfeydd wrth gefn yn hytrach na Chronfa'r Cyngor.

Mae'r Cyngor yn parhau i fantoli ei gyllideb trwy gamau gweithredu yn ystod y flwyddyn, er ei fod yn parhau i brofi pwysau sylweddol o ran costau a gorwariannau mewn rhai meysydd gwasanaeth

Pam ei bod yn bwysig rhagweld gwariant yn gywir

- 32 Mae'n bwysig bod gorwariant a thanwariant yn cael eu cadw dan reolaeth a bod gwariant gwirioneddol mor agos â phosibl at y lefelau a gynlluniwyd. Mae cyngor sy'n methu â rhagweld a chynllunio gwariant yn gywir yn achosi risg o greu pwysau ariannol nas rhagwelwyd a all beryglu'r gallu i bennu cyllideb fanteoledig. Gall patrymau sylweddol o danwariant fod yn lleihau gallu cyngor i gyflawni ei amcanion allweddol neu gyflawni ei gyfrifoldebau statudol.

Yr hyn a ganfuom

- 33 Y llynedd, canfuom, er bod y Cyngor wedi tanwario yn erbyn ei gyllideb yn y blynyddoedd diwethaf, fod pwysau sylweddol ar y gyllideb a arweinir gan y galw'n gosod straen sylweddol ar gyllidebau yn y dyfodol.
- 34 Ers hynny, fe gyflawnodd y Cyngor danwariant o £1.8 miliwn (1.1%) yn 2019-20. Yn ystod y flwyddyn, cafodd y Cyngor dderbyniad TAW untro o £2.3 miliwn a oedd yn ymwneud ag incwm o'r gwasanaethau hamdden a oedd wedi'i esemptio. Roedd camau gweithredu pellach a gyflawnwyd gan y Cyngor yn cynnwys:
- defnydd hyblyg o dderbyniadau cyfalaf;
 - cyflawni arbedion ychwanegol yn ystod y flwyddyn;
 - tanwariannau mewn gwasanaethau corfforaethol yn helpu i wrthbwysu gorwariannau mewn gwasanaethau a oedd yn profi pwysau mwy difrifol o ran costau;
 - lleihau gwariant nad yw'n hanfodol; a
 - rheoli swyddi gwag.
- 35 Mae adroddiad monitro'r gyllideb y Cyngor ar gyfer mis 9 yn rhagweld tanwariant o £142,000 yn 2020-21 unwaith y rhoddir cyfrif am wariant sy'n gysylltiedig â COVID. Mae hyn hefyd wedi cael ei gyflawni gan ddefnyddio'r technegau uchod (heblaw am yr ad-daliad TAW).
- 36 Fodd bynnag, ar adeg ein gwaith maes, roedd y Cyngor wedi cael hysbysiad gan Lywodraeth Cymru ynghylch cyllid grant ychwanegol mewn perthynas â COVID-19. Mae hyn wedi arwain at warged o £4.1 miliwn ar ddiwedd y flwyddyn. Mae'r

Cyngor yn cynnig defnyddio'r gwarged hwn i ail-lenwi cronfeydd wrth gefn wedi'u clustnodi i roi mwy o gydnerthedd ariannol iddo.

Arddangosyn 5: swm y gorwariant/tanwariant yn berthynol i gyfanswm y gyllideb referniw net

Mae'r arddangosyn canlynol yn dangos swm y gorwariant neu'r tanwariant yng nghyllideb referniw net y Cyngor ar y cyfan am y pum mlynedd ddiwethaf.

	2016-17	2017-18	2018-19	2019-20	2020-21
Cyllideb Referniw Net Wreiddiol £ miliynau ⁸	148.7	152.1	157.8	161.8	170.4
Alldro Referniw Net Gwirioneddol ⁹	147.8	151.5	157.8	160.0	166.3
Swm y gwarged/gorwariant ar y cyfan ¹⁰	0.9	0.6	0.05	1.8	4.1
Gwahaniaeth canrannol o'i gymharu â'r gyllideb referniw net	0.6%	0.4%	0.03%	1.1%	2.4%

- 37 Mae llawer o bwysau o ran costau a gorwariannau yn 2020-21 yn gysylltiedig â gwariant ychwanegol neu incwm a gollwyd o ganlyniad i COVID-19. Fodd bynnag, mae gan rai o wasanaethau'r Cyngor orwariannau cylchol sy'n rhagddyddio'r pandemig. Mae'r rhain yn cynnwys:
- Gwasanaethau Plant, yn enwedig costau sy'n ymwneud â phlant sy'n derbyn gofal
 - Anghenion dysgu ychwanegol
 - Cludiant teithwyr
 - Gwasanaethau gwastraff
- 38 Mae'r Cyngor yn archwilio ffyrdd newydd o reoli rhai o'r pwysau hyn o ran costau. Er enghraifft, mae adolygiad o gludiant ysgolion yn mynd rhagddo, ac mae'r gwasanaeth gwastraff yn cymhwyso nifer o newidiadau i'r gwasanaeth. Mae'r Gwasanaethau Plant wedi rhoi nifer o fesurau ar waith i helpu i reoli'r galw ym maes Plant sy'n Derbyn Gofal ac mae'r Cyngor yn nodi ei fod yn dechrau gweld arwyddion cynnar o effaith y mentrau hyn, gyda nifer y plant sy'n derbyn gofal yn dechrau sefydlogi yn ystod 2020--21.

⁸ Ffynhonnell: Adroddiadau Alldro'r Cyngor ar gyfer y cyfnod rhwng 2016-17 a 2020-21

⁹ Ffynhonnell: Adroddiadau Alldro'r Cyngor ar gyfer y cyfnod rhwng 2016-17 a 2020-21

¹⁰ Cyfrifiad Archwilio Cymru.

Mae pandemig COVID-19 wedi effeithio ar allu'r Cyngor i gyflawni ei arbedion wedi'u cynllunio ar gyfer 2020-21

Pam fod y gallu i adnabod a chyflawni cynlluniau arbedion yn bwysig

39 Mae'r gallu i adnabod meysydd lle gellir gwneud arbedion ariannol penodol, ac i wneud yr arbedion hynny'n ddiweddarach, yn agwedd allweddol ar sicrhau cynaliadwyedd ariannol parhaus yn erbyn cefnlen o bwysau ariannol cynyddol. Lle na chaiff cynlluniau arbedion eu cyflawni gall hyn arwain at orwariannau sy'n golygu bod angen defnyddio cronfeydd wrth gefn cyfyngedig gan hefyd gynyddu lefel yr arbedion y mae eu hangen mewn blynyddoedd yn y dyfodol i wneud iawn am hyn. Lle nad yw cynlluniau arbedion yn cael eu cyflawni a bod angen i feysydd gwasanaeth wneud arbedion heb eu cynllunio, mae hyn yn cynyddu'r risg naill ai na fydd arbedion yn gyson â blaenoriaethau'r Cyngor, neu o ddatrysiadau 'byrdymor' nad ydynt yn gynaliadwy dros y tymor canolig.

Yr hyn a ganfuom

- 40 Y llynedd, canfuom fod gan y Cyngor hanes amrywiol o gyflawni arbedion wedi'u cynllunio, a all gyfrannu at bwysau ariannol yn ystod y flwyddyn.
- 41 Dengys **Arddangosyn 6** fod y Cyngor wedi cyflawni 84% o'r arbedion wedi'u cynllunio yn 2019-20.
- 42 Roedd gan y Cyngor £4.9 miliwn o arbedion wedi'u cynllunio yn 2020-21 ond mae'r pandemig wedi effeithio ar gyflawni rhai cynigion ar gyfer arbedion. Mae'r Cyngor yn rhagweld y bydd yn cyflawni 85% (£4.2 miliwn) o gyfanswm yr arbedion wedi'u cynllunio.
- 43 O'r £0.7 miliwn o arbedion heb eu cyflawni, mae'r Cyngor yn amcangyfrif bod £0.6 miliwn yn gysylltiedig ag effaith COVID-19.

Arddangosyn 6: arbedion a gyflawnwyd fel canran o'r arbedion wedi'u cynllunio

Mae'r arddangosyn canlynol yn nodi faint o arian yr oedd y Cyngor yn bwriadu ei arbed o'i gynlluniau arbedion rhwng 2016-17 a 2020-21 a faint o hyn y gwnaeth ei arbed mewn gwirionedd.

	2016-17	2017-18	2018-19	2019-20	2020-21
Cyfanswm arbedion wedi'u cynllunio mewn £ miliynau ¹¹	3.7	5.3	5.1	6.4	4.9
Arbedion wedi'u cynllunio a gyflawnwyd mewn £ miliynau ¹²	2.4	4.9	4.1	5.4	4.2
Arbedion wedi'u cynllunio nas cyflawnwyd mewn £ miliynau	1.3	0.4	1.0	1.1	0.7
Canran yr arbedion a gyflawnwyd	66%	93%	81%	84%	85%

Er bod sefyllfa hylifedd y Cyngor yn isel, mae'r Cyngor yn credu bod ei lif arian parod yn ddigonol i gyflawni ei rwymedigaethau

Pam fod sefyllfa hylifedd y Cyngor yn bwysig

44 Pam ei bod yn bwysig pwysu a mesur asedau cyfredol o'i gymharu â rhwymedigaethau cyfredol (hylifedd):

- mae'n arwydd o'r modd y mae cyngor yn rheoli ei gyllid yn y tymor byr.
- er ei fod yn cael ei ddefnyddio'n gyffredin i archwilio pa un a yw sefydliadau'n gallu talu eu dyledion yn y tymor byr, mae hyn yn annhebygol o fod yn risg i gynghorau o ystyried eu gallu i gymryd benthyciadau byrdymor. Fodd bynnag, mae hefyd yn gweithredu fel dangosydd sy'n dynodi sut y mae cyngor yn rheoli ei gyllid yn y tymor byr.
- dylai cynghorau â chymarebau hylifedd isel sicrhau bod ganddynt drefniadau i gwrdd â'u rhwymedigaethau.
- gall fod costau ychwanegol i gynghorau sy'n dibynnu ar fenthyciadau byrdymor i dalu dyledion.
- dylai cynghorau â chymarebau hylifedd uchel iawn ystyried a ydynt yn rheoli eu hasedau cyfredol yn y ffordd fwyaf effeithiol.

¹¹ Ffynhonnell: Datganiadau alldro refeniw'r Cyngor

¹² Ffynhonnell: Datganiadau alldro refeniw'r Cyngor

Yr hyn a ganfuom

- 45 Mae gan y Cyngor duedd o hylifedd sy'n lleihau dros y blynyddoedd diwethaf gan bod ei rwymedigaethau cyfredol wedi cynyddu.
- 46 Mae **Arddangosyn 7** isod yn dangos bod rhwymedigaethau cyfredol y Cyngor wedi cynyddu £70.6 miliwn (128%) rhwng 2015-16 a 2019-20. Dros yr un cyfnod, fe gynyddodd asedau cyfredol y Cyngor £6.4 miliwn (12%). O ganlyniad, mae cymhareb cyfalaf gweithio'r Cyngor wedi gostwng o 1 i 0.5 sy'n golygu ei fod yr ail isaf yng Nghymru.
- 47 Y gymhareb hylifedd ragamcanol ar gyfer 2020-21 yw 0.4.
- 48 Nid yw'r Cyngor o'r farn bod ei sefyllfa hylifedd yn risg allweddol gan bod derbyniadau arian parod rheolaidd yn sicrhau ei fod yn gallu cwrdd â'i rwymedigaethau cyfredol.

Arddangosyn 7: cymhareb cyfalaf gweithio rhwng 2015-16 a 2020-21

	2015-16	2016-17	2017-18	2018-19	2019-20	Amcangyfrif 2020-21
Asedau Cyfredol ¹³	52.7	29.7	40.9	53.7	59.1	55.7
Rhwymedigaethau Cyfredol ¹⁴	55.3	52.3	91.7	105.1	125.9	125.2
Cymhareb Cyfalaf Gweithio	1.0	0.6	0.4	0.5	0.5	0.4
Cymhareb Cyfalaf Gweithio Gyfartalog ar draws holl gynghorau Cymru	16eg	20fed	21ain	21ain	21ain	

¹³ Mae Asedau Cyfredol yn cynnwys: Buddsoddiadau Byrdymor; Asedau a ddelir i'w gwerthu; Rhestrau Eiddo; Dyledwyr Byrdymor; ac Arian Parod a'i gyfwerth. Ffynhonnell: 2015-16 – 2019-20: Datganiad Cyfrifon y Cyngor; 2020-21: darparwyd gan y Cyngor

¹⁴ Mae Rhwymedigaethau Cyfredol yn cynnwys: Benthyciadau Byrdymor; Credydwyr Byrdymor; a Darpariaethau sy'n ddyledus ymhen un flwyddyn. Ffynhonnell: 2015-16 – 2019-20: Datganiad Cyfrifon y Cyngor; 2020-21: darparwyd gan y Cyngor



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.



SUBJECT:	INTERNAL AUDIT SECTION
	REVISED INTERNAL AUDIT CHARTER 2021
DIRECTORATE:	Resources
MEETING:	Governance & Audit Committee
DATE:	2nd September 2021
DIVISION/WARDS AFFECTED:	All

1. PURPOSE

To inform members of the Council's Governance & Audit Committee of the revised and updated draft Internal Audit Charter for Monmouthshire County Council in order to enable them to make an informed decision to approve the Charter in line with the expectations of the Public Sector Internal Audit Standards (PSIAS).

2. RECOMMENDATION(S)

That the Committee endorse and approve the updated Internal Audit Charter.

3. KEY ISSUES

3.1 In accordance with The Public Sector Internal Audit Standards (PSIAS) (revised April 2017) the Internal Audit team maintains an Audit Charter, which is subject to periodic review to ensure it reflects best and up to date practice along with any changes to the Team's way of working.

3.2 References to the new Governance and Audit Committee, the revised PSIAS and the Council's Strategic Leadership Team (SLT) have been updated. Internal Audit's Mission has been added.

4. REASONS

4.1 This report aims to make members of the Governance and Audit Committee aware of the revised Council's Internal Audit Charter in order to enable them to make an informed decision to approve The Charter in line with the expectations of the Public Sector Internal Audit

Standards (PSIAS). The previous update was endorsed and approved by the Audit Committee in 2016.

4.2 The purpose of this Charter is to define what Internal Audit at Monmouthshire Council is and explain its purpose, authority and responsibility.

4.3 This Charter has been written in accordance with Standard 1000 of the Public Sector Internal Audit Standards (PSIAS) revised April 2017.

4.4 The Public Sector Internal Audit Standards (PSIAS) defines Internal Audit as:

“... an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

4.5 In addition, the mission of Internal Audit, in line with the Standards is now stated as:

“To enhance and protect organisational value by providing risk based and objective assurance, advice and insight.”

4.6 A professional, independent and objective Internal Audit service is one of the key elements of good governance.

4.7 Internal Audit has specific responsibilities and rights of access to people and documents written into the Council’s Financial Procedure Rules which are included within the Charter, along with its objectives, roles and responsibilities, the staff involved and how it demonstrates its organisational independence. The expectations and responsibilities of the Chief Internal Auditor are also included within the Charter.

4.8 The Charter reinforces the point that Internal Audit provides assurance to Members and Senior Management and should not be involved with operational matters of service delivery. It reflects the requirements of the updated Standards for the Chief Internal Auditor to disclose any interference experienced in determining the scope of internal auditing, performing work and communicating results to the Governance and Audit Committee and to discuss the implications of any such interference. Similarly, any roles and responsibilities assigned to the Chief Internal Auditor beyond the scope of internal audit work should be disclosed to the Governance and Audit Committee and their implications discussed.

4.9 The Charter includes an important reference to the Code of Ethics for those working within the team in that they need to conform with the principles of Integrity, Objectivity, Confidentiality and Competency and

have due regard to the 'Seven Principles of Public Life (Nolan Principles)' when undertaking their duties.

- 4.10 The expectations of how Internal Auditors will approach their work in terms of due professional care, integrity, independence, impartiality is written into the Charter; the work itself being delivered through an Audit Strategy and an Annual Audit Plan. The reporting and quality assurance processes are also included, along with how relationships with the Team's stakeholders will be developed.
- 4.11 Dealing with fraud and irregularities is an important part of what the Internal Audit Team does in order to safeguard public money; it is important to include this aspect of its work within the Charter. How the Internal Audit Team will be resourced and continually developed through training has also been included.
- 4.12 The intention is to maintain the Charter as a working document, which from time to time, will need to be refreshed and updated. The Internal Audit Charter will therefore be reviewed every 3 years by the Chief Internal Auditor and presented to the Strategic Leadership Team and the Governance & Audit Committee for approval.

5. RESOURCE IMPLICATIONS

None

6. CONSULTEES

Deputy Chief Executive and Chief Officer Resources

Results of Consultation:

N/A

7. EQUALITY IMPACT ASSESSMENT

There is no equality impact arising directly from this report.

8. SUSTAINABLE DEVELOPMENT IMPLICATIONS

None

9. BACKGROUND PAPERS

Internal Audit Charter 2016 (approved by Audit Committee 15th September 2016)

Public Sector Internal Audit Standards (PSIAS 2017)

Section 151 of the Local Government Act 1972

10. AUTHORS AND CONTACT DETAILS

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INTERNAL AUDIT

CHARTER 2021

Version: 2 -	Draft (Subject to Governance and Audit Committee Approval)
Authors:	Andrew Wathan, Chief Internal Auditor David Walton, Audit Manager
Approved by:	Governance and Audit Committee subject to amendments made in this report
Date Approved:	2 nd September 2021
Date of Next Review:	September 2024

Version Control:

Version	Details	Approved
1	Original	Audit Committee, September 2016
2	Revised and updated, taking account of changes to Public Sector Internal Audit Standards (2017).	Governance and Audit Committee, September 2021

INTERNAL AUDIT CHARTER

1 Introduction

- 1.1 The purpose of this Charter is to define what Internal Audit is and explain its mission, authority, responsibility and position within Monmouthshire County Council.
- 1.2 This Charter has been written in accordance with Standard 1000 of the Public Sector Internal Audit Standards (PSIAS) and sets out how the Internal Audit Section will discharge its duties in compliance with the PSIAS. Compliance with the PSIAS is mandatory.
- 1.3 For the purposes of internal audit activity the following terms are defined as follows:

'board' – the Governance and Audit Committee

'senior management' – the Strategic Leadership Team (SLT) which is made up of the Chief Executive, Chief Officer Enterprise, Chief Officer Social Care, Health and Safeguarding, Chief Officer for Children & Young People, Deputy Chief Executive / Chief Officer Resources, Chief Officer People & Governance and the Head of Policy, Performance and Scrutiny.

2 Mission, Definition, Authority and Scope of Internal Audit

Mission and Definition

- 2.1 The Public Sector Internal Audit Standards 2017 (PSIAS) confirms the mission of internal audit is:
- “ to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”*
- 2.2 The Standards define Internal Audit as:
- “... an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”*
- 2.3 A professional, independent and objective Internal Audit service is one of the key elements of good governance.

Authority

- 2.4 The authority of the internal audit function is derived from legislation. The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which required that authorities shall *'make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs'*. The Accounts and Audit (Wales) Regulations 2014 requires that *'A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control'*.
- 2.5 Monmouthshire Council has delegated these responsibilities to the Deputy Chief Executive / Chief Officer, Resources.
- 2.6 Financial Procedure Rules (September 2014) section 4.35 states:
To ensure that internal auditors have the authority to:
- access authority premises at reasonable times, subject to the Chief Internal Auditor being satisfied as to any risk to health and safety;
 - access all assets, records, documents, correspondence and control systems;
 - receive any information and explanation considered necessary concerning any matter under consideration;
 - require any employee of the Authority to account for cash, stores or any other authority asset under his or her control;
 - access records belonging to third parties, such as contractors, when required;
 - review, appraise and report on the adequacy and application of financial and other controls, and on the protection of the Authority's property and assets against loss due to fraud or wasteful practices.

Scope

- 2.7 The scope of Internal Audit work is to determine whether the Council's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:
- Risks are appropriately identified and managed;
 - Interaction with the various governance groups occurs as needed;
 - Significant financial, managerial, and operating information is accurate, reliable, and timely;
 - Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
 - Resources are acquired economically, used efficiently, and adequately protected;

- Programmes, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the Council's control process;
- Significant legislative or regulatory issues impacting the Council are recognised and addressed appropriately; and
- Opportunities for improving management control, profitability and the Council's image may be identified during audits. They will be communicated to the appropriate level of management.

Our scope of work may include audit activity both within Monmouthshire County Council and on functions that MCC has delegated or contracted out.

2.8 The scope of Internal Audit allows for unrestricted coverage of the Authority's activities in order to review, report and provide the appropriate assurance based on its reviews to the Governance and Audit Committee. Internal Audit shall also have unrestricted access to all records, property and assets deemed necessary by auditors in the course of an audit. In addition, Internal Audit, will have unrestricted access to:-

- the Governance and Audit Committee
- the Chief Executive
- the Leader of the Council
- Members of the Council
- individual Chief Officers
- all Authority employees.

2.9 Such access to records, assets and personnel may be limited to certain named individuals as agreed with the Chief Internal Auditor where highly sensitive or confidential information is involved.

2.10 Internal Audit is known as the 3rd line of defence within an organisation, with operational management controls being the 1st, risk management and compliance the 2nd. Each line has its own role in the Authority to ensure that risks are appropriately managed and identified. Internal Audit's unique role is to provide assurance to the strategic management that is objective and independent of management about the controls in place to manage risk. The Institute of internal Auditors 'Three Line Model' is included at Appendix 3.

3 Objectives

3.1 Internal Audit's main objectives are to:

- provide a high quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources;

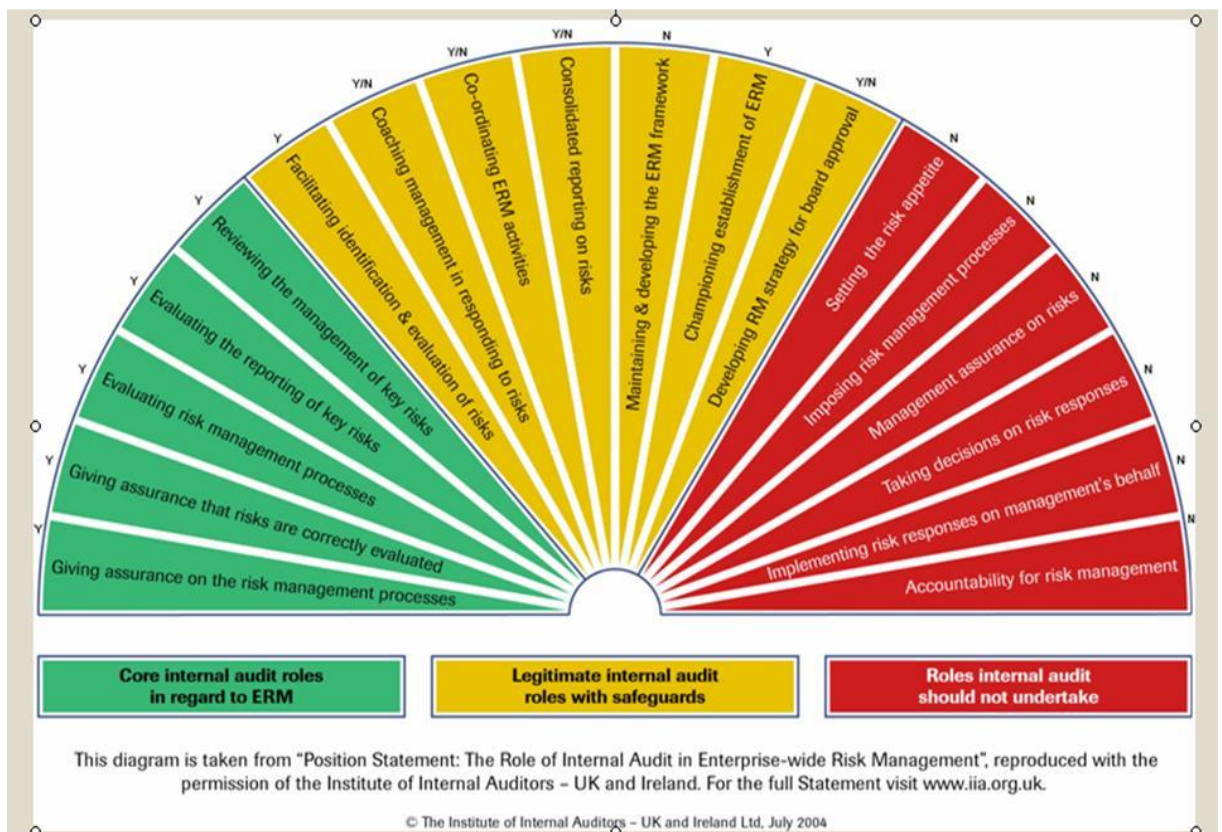
- provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures;
- to ensure the objectives of the Council are being met;
- provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes;
- provide advice and support to management to enable an effective control environment to be maintained;
- promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud;
- investigate allegations of fraud, bribery, corruption and other irregularities; and
- to liaise with the police and other relevant agencies where criminal activities are suspected.

4 Roles & Responsibilities

4.1 To meet Internal Audit objectives, internal auditors are responsible for

- reviewing and assessing the soundness, adequacy and reliability of financial and non-financial management systems and operations;
- reviewing and assessing the effectiveness of internal controls;
- assessing the appropriateness of management action for improvement, where appropriate;
- reviewing and assessing procedures to check that the Council's assets and interests are adequately protected and risks are identified and effectively managed;
- checking for compliance with legislation, Council policies and procedures;
- promoting and assisting the Council in the effective use of resources;
- ensuring governance and risk management processes are effective and robust; and
- undertaking independent investigations into allegations of fraud and irregularity in accordance with Council policies and procedures and relevant legislation.

4.2 The diagram below illustrates the sorts of roles that Internal Audit can play, providing the necessary safeguards are in place:



4.3 The internal audit activity must assess and make appropriate recommendations and or agree management actions to improve the organisation's governance processes for:

- making strategic and operational decisions
- overseeing risk management and control
- promoting appropriate ethics and values within the organisation
- ensuring effective organisational performance management and accountability
- communicating risk and control information to appropriate areas of the organisation, and
- co-ordinating the activities of and communicating information among the board, external and internal auditors, other assurance providers and management.

Provision of the Internal Audit Function

4.4 The Internal Audit Function is provided 'in house' and consists of the Chief Internal Auditor, 1 Audit Manager, 1 Principal Auditor, 2 Senior Auditors and 1 Auditor. The team comprises of professionally qualified and part qualified accountants and auditors (CIPFA, IIA, AAT). The Chief Internal Auditor operates in collaboration with a neighbouring local authority dividing his time on a 50:50 basis between Newport City Council and Monmouthshire.

Organisational Independence and Objectivity

- 4.5 PSIAS Standard 1100 states that the Chief Internal Auditor must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The Chief Internal Auditor will confirm to the Governance and Audit Committee, at least annually, the organisational independence of the internal audit activity.
- 4.6 Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Governance and Audit Committee. The Governance and Audit Committee is required to:
- approve the Internal Audit Charter;
 - approve the risk based Internal Audit Plan;
 - receive communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;
 - make appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scopes or resource limitations.
- 4.7 Members of the Internal Audit Team annually declare any potential conflicts of interests and do not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment.
- 4.8 Where Internal Audit provide consultancy services, the work will be organised in ways to ensure independence will not be impaired where they subsequently audit that area.

Management Structure

- 4.9 Internal Audit is part of the Resources Directorate, with the Chief Internal Auditor reporting directly to the Chief Officer. However, in order to maintain its independence Internal Audit has a right of access to the Chief Executive and/or the Leader of the Council and/or the Chair of the Governance and Audit Committee should circumstances warrant it. The Chief Internal Auditor also reports in his own name.
- 4.10 Internal Audit carry out some non-audit functions, including controlling imprest accounts, issuing controlled stationery and undertaking financial appraisals for departments on request. The Chief Internal Auditor will report to the Governance and Audit Committee if, in his opinion, these non-audit functions impact on the independent of the Team or their ability to meet the requirements of the PSIAS.
- 4.11 The Chief Internal Auditor is responsible:
- in managerial terms to the Deputy Chief Executive/ Chief Officer Resources.
 - for the performance of the Internal Audit Service to the Governance and Audit Committee

- for providing a level of assurance, or otherwise, to the Governance and Audit Committee and the Strategic Leadership Team.

4.12 The Chief Internal Auditor's responsibilities to the Governance and Audit Committee include:

- keeping under review and periodically presenting for approval the Internal Audit Charter;
- presenting and obtaining approval of the risk-based annual Audit Plan;
- reporting quarterly on the work undertaken by Internal Audit;
- reporting any serious weaknesses found in the internal control systems, governance or risk, and any instances where corrective action has not been taken by management;
- reporting any instances where responses to audit reports have not been received within a reasonable timescale of the issue of draft and/or final audit reports, and any instances where agreed management actions have not been implemented within an acceptable time period;
- providing an annual audit report, including an opinion of the overall adequacy and effectiveness of the Council's internal control environment;
- the annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme; and
- making the Governance and Audit Committee aware of emerging trends and successful practices in internal auditing.

4.13 The Governance and Audit Committee responsibilities are in accordance with the Committee's terms of reference set out in the Council's Constitution.

5 Code of Ethics

5.1 The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) 2017 by:

- ensuring that all internal auditors conform to the Code of Ethics principles of integrity, objectivity, confidentiality and competency
- implementing the Attribute and Performance Standards as detailed in Section 7 of the Standards

5.2 Internal Audit staff are required to make an annual affirmation of their knowledge of, and compliance with, the PSIAS Code of Ethics and must also have regard to The Committee on Standards in Public Life's *Seven Principles of Public Life* (the Nolan Principles).

What can be expected from Internal Audit:

- 6.1 Internal Auditors will, at all times, exercise due professional care, act with integrity and take a professional, reliable, independent and innovative approach to their work. It is essential that auditors are impartial so that when an audit opinion is requested it will be unbiased and based upon the facts available. Should a situation arise where impartiality could be questioned, then another auditor will be assigned to undertake the task concerned.
- 6.2 The Chief Internal Auditor and individual members of the IA team are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.
- 6.3 Where an auditor was previously employed within a service/area subject to audit then the Chief Internal Auditor will ensure that the auditor concerned is not assigned audits in that area until an appropriate amount of time has lapsed.

Audit Strategy

- 6.4 The Chief Internal Auditor prepares a risk-based audit strategy and translates this into a five-year plan that shows cyclical coverage of audits. Where there is a difference between the strategy/plan and resources available, this is reported to the Governance and Audit Committee.

Annual Audit Plan

- 6.5 To implement the audit strategy, an annual audit plan is established using a risk-based assessment methodology. Planning is informed by review of the Authority's Corporate Risk Register and of Council and Cabinet minutes as well as the Audit Strategy. The plan determines in broad terms the resources and skills needed, and is used for allocating auditors' work. Should the plan indicate a need for additional resources, this will be discussed with the Deputy Chief Executive / Chief Officer Resources. Heads of Service / Managers are consulted on the audit plan during the planning process and asked if there are any areas or work they wish specifically to be incorporated into the audit coverage. The plan is flexible and includes a contingency to allow for changes in priorities, emerging risks, ad hoc projects, fraud and irregularity, etc. The Chief Internal Auditor may rely on the work of other assurance and consultancy service providers having first satisfied himself of their competency, objectivity and due professional care. Where such reliance is placed on the work of others, however, the Chief Internal Auditor is still accountable and responsible for ensuring that appropriate support is available for any conclusions and opinions reached.
- 6.6 The Annual Internal Audit Plan is reported to, considered and approved by the Governance and Audit Committee.

6.7 During the year, The Chief Internal Auditor must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls. Any material changes in the Audit Plan as a result will be reported to the Governance and Audit Committee.

What is expected from managers and staff

6.8 Managers and staff should co-operate with the auditors, for example:

- Agreeing audit scopes promptly prior to the commencement of audit fieldwork;
- Providing Internal Audit with full support and co-operation, including complete access to all records, data, property and personnel relevant to the performance of their responsibilities at all levels of operations, without unreasonable delay;
- Responding to the draft internal report, including provision of management responses to recommendations, within the timescale requested by the Audit Team. (Where a response is not forthcoming a reminder will be issued. However, if a response is not received then the matter will be referred up to the next level of management, and ultimately to the Head of Service, Chief Officer, Chief Executive or Governance and Audit Committee, as appropriate);
- Implementing agreed audit recommendations or management actions in accordance with the agreed timescales;
- Updating Internal Audit with progress made on audit recommendations;
- Informing Internal Audit of proposed changes and developments in processes and systems and newly identified significant risks.

6.9 Managers and staff are encouraged to feedback any comments which would help improve the future delivery of internal audit services during the audit and through the client questionnaire issued at the conclusion of each audit.

7 Reporting

Audit Reports

7.1 All audit assignments will be the subject of formal reports or memoranda. Where appropriate, draft reports will be sent to the managers responsible for the area under review for agreement of the factual accuracy of findings. After agreement, the final reports will be issued to the relevant Head of Service and Chief Officer.

7.2 Audit reports:

- show the findings based on a risk assessment e.g. significant, moderate and minor risk, together with control strengths identified during the audit

- are balanced, showing strengths and weaknesses identified from the evidence obtained during the audit work
- include an action plan showing the agreed audit recommendations and the target date for implementation
- give an opinion of the system of internal control as at the time of the audit
- define the circulation of the draft and the final reports
- all reports will be issued on behalf of the Chief Internal Auditor.

7.3 Audit report circulation/reporting structure:

- Operational managers receive a draft report for discussion followed by the final report
- Heads of Service (and for schools, Chairs of Governors) and Chief Officers will receive a copy of all final reports within their service area
- Chief Executive and Strategic Leadership Team will receive a copy of all quarterly update reports presented to the Governance and Audit Committee and can request individual reports as required.

Reporting Standards

- 7.4 Upon completion of audits, draft audit reports are internally quality reviewed and issued to the relevant line managers for them to confirm the accuracy of the audit findings. Managers are invited to discuss the report and asked to show their response to the significant and moderate risk weaknesses raised in the draft report. For agreed audit recommendations, dates for action or implementation are recorded in the report and the action plan. The managers' responses are recorded in the final report.
- 7.5 In accordance with professional standard (2500 Monitoring Progress), follow-up audits are undertaken to ensure that the agreed controls and actions have been implemented by management, or that risks of not doing so have been accepted.
- 7.6 Any agreed management actions not implemented within a reasonable timescale and any 'significant risk' weaknesses that are not accepted will be reported to the Governance and Audit Committee for their consideration of any action necessary in accordance with the Committee's terms of reference.
- 7.7 Internal Audit works to the reporting quality standards benchmarked by the Welsh Chief Internal Auditors' Group, which include the timely issue of draft and final audit reports.
- 7.8 Agreed action plans within final reports will be followed-up within 12 months of the date issue of the final audit report, to ensure that the agreed audit recommendations or management actions have been implemented.

- 8.1 The Chief Internal Auditor will maintain a process of review of the Internal Audit Service to provide reasonable assurance that its work conforms with the relevant standards and to the requirements of this document. Internal assessments will include:
- ongoing monitoring of the performance of the service including ensuring there is adequate supervision of work performed
 - periodic self-assessments on how the service meets the requirements of the Public Sector Internal Audit Standards
- 8.2 External assessments of the Internal Audit Service will be undertaken once every five years, in accordance with the PSIAS. The latest external assessment was completed in March 2018, hence the deadline for the next review is March 2023. The Governance and Audit Committee is encouraged to oversee the external assessment process and the outcome of each assessment will be reported promptly to them.
- 8.3 Internal auditors are required to enhance their knowledge, skills and other competencies through continuing professional development which is supported by Audit management.
- 8.4 Audit reports are reviewed by a senior member of audit staff prior to issue.

- 9.1 General - in all of these relationships the person/s concerned will be treated with respect, courtesy, politeness and professionalism. Any confidential or sensitive issues raised with, or reported to, Internal Audit staff will be dealt with in an appropriate manner. Where issues could cause embarrassment to the Council, the appropriate manager will be advised immediately so that the issue can be addressed without delay.
- 9.2 Internal - the main contacts are with: Council employees, operational managers, Heads of Service, Chief Officers and the Chief Executive. Internal auditors will ensure that they explain to the person/s concerned the purpose of the audit and the various stages that the audit will follow. Internal Audit will agree with the manager concerned the timing and scope of the audit and the circulation of the audit report.
- 9.3 Councillors – the main means of communication between Internal Audit and Councillors is via the Governance and Audit Committee which meets approximately 7 times per year.
- 9.4 External – Internal Audit will liaise with the external auditors in order to:
- foster a co-operative and professional working relationship

- minimise the incidence of duplication of effort
- ensure appropriate sharing of information
- co-ordinate the overall audit effort

10 Fraud & Irregularities

10.1 The Chief Internal Auditor is responsible for reviewing and updating the Council's Anti-Fraud, Bribery and Corruption Strategy and for promoting an anti-fraud culture within the Council. This is achieved by the following:

- specific detailed testing in high risk areas
- participation in the Cabinet Office National Fraud Initiative data matching exercise
- investigation of areas of concern identified through routine audits, reported to management or via the Council's Whistleblowing Policy.

10.2 Chief Officers / Heads of Service / operational managers are responsible for managing risks in order to prevent fraud, irregularity, waste of resources, etc. Internal Audit will assist service colleagues to effectively manage these risks.

10.3 However, no level of controls can guarantee that fraud will not occur, even when the controls are performed diligently with due professional care.

10.4 Where there is evidence or reasonable suspicion that a fraud or irregularity has occurred, then this must be reported immediately to Internal Audit. All cases will be dealt with in accordance with the Council's '*Anti-Fraud, Bribery and Corruption Strategy*' and '*Whistleblowing Policy*'.

11 Audit Resources

11.1 The staffing structure of Internal Audit will comprise a mix of qualified, technician, trainee and auditor posts with a mix of professional specialisms to reflect the varied functions of the Section.

11.2 As far as is practicable, Internal Audit will not participate in the day-to-day operation of any systems of internal control. However, in strict emergency situations only, audit personnel may be called upon to carry out non-audit work on a short-term basis.

11.3 Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls or being asked to be part of a project team. However, any significant consulting activity not already included in the Audit Plan and which might affect the level of assurance work undertaken will be reported to the Governance and Audit Committee.

11.4 Members of the Internal Audit team will be expected to contribute to the general management and conduct of business through membership of working groups and participation in ad hoc exercises.

12**Audit Training**

- 12.1 Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development (Standard 1230).
- 12.2 The Chief Internal Auditor will carry out a continuous review of the development and training needs of all audit personnel and will arrange in-service training covering both internal and external courses. This will complement the Council's 'Check in: check out' process.
- 12.3 The Internal Audit Team will be encouraged to attend the training programme for internal auditors on behalf of the South Wales Chief Auditors' Group; a sub group of the Welsh Chief Auditors' Group.

13**Review**

- 13.1 The Internal Audit Charter will be reviewed every three years by the Chief Internal Auditor and presented to the Strategic Leadership Team and the Governance and Audit Committee for approval.

APPENDIX 1

Categories of Audit Findings:

RATING	RISK DESCRIPTION	IMPACT
1	Significant	<p>(Significant) – Major / unacceptable risk identified.</p> <p>Risk exists which could impact on the key business objectives. Immediate action required to address risks.</p> <p>RED</p>
2	Moderate	<p>(Important) – Risk identified that requires attention.</p> <p>Risks identified which are not business critical but which require management as soon as possible.</p> <p>AMBER</p>
3	Minor	<p>(Minimal) - Low risk partially mitigated but should still be addressed</p> <p>Audit comments highlight a suggestion or idea that management may want to consider.</p> <p>YELLOW</p>
4	Strength	<p>(No risk) – Good operational practices confirmed.</p> <p>Well controlled processes delivering a sound internal control framework.</p> <p>GREEN</p>

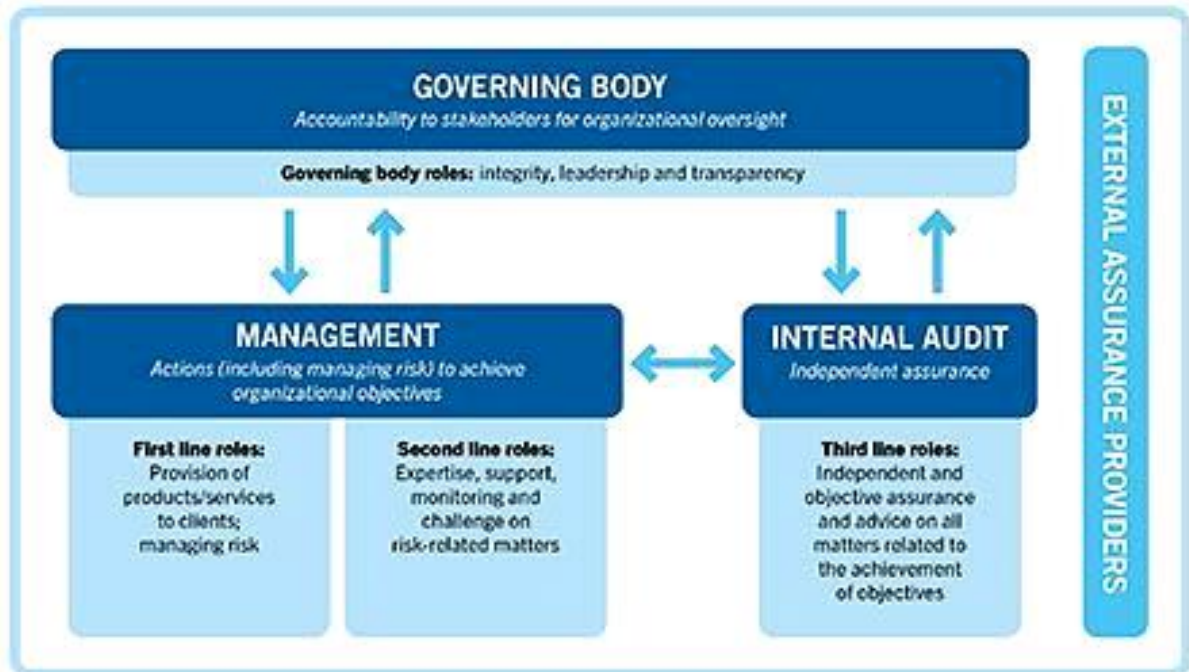
APPENDIX 2

Categories of Audit opinions used

SUBSTANTIAL	<p>Substantial level of assurance.</p> <p>Very well controlled, with numerous strengths identified and any risks being less significant in nature.</p>
CONSIDERABLE	<p>Considerable level of assurance</p> <p>Generally well controlled, although some risks identified which should be addressed.</p>
REASONABLE	<p>Reasonable level of assurance.</p> <p>Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.</p>
LIMITED	<p>Limited level of assurance.</p> <p>Poorly controlled, with unacceptable levels of risk. Fundamental improvements required urgently.</p>

APPENDIX 3

Internal Controls 'Three Lines' model



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SUBJECT:	INTERNAL AUDIT Progress Report for 3 Months into 2021/22
DIRECTORATE:	Resources
MEETING:	Audit Committee
DATE:	2nd September 2021
DIVISION/WARDS AFFECTED:	All

1. PURPOSE

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 June 2021.

To consider the performance of the Internal Audit Section over the first 3 months of the current financial year.

2. RECOMMENDATION(S)

That the Committee note the audit opinions issued.

That the Committee note the progress made by the Section towards meeting the 2021/22 Operational Audit Plan and the Section's performance indicators at the 3 month stage of the financial year.

3. KEY ISSUES

- 3.1 As reported previously to Audit Committee, the Internal Audit staff were redeployed to support the 'test trace protect' initiative, business support grants process and undertake counter fraud checks from March 2020 as a result of the national pandemic, Covid-19. Therefore there are no year on year comparison figures for the Team's performance.
- 3.2 One member of the team has been seconded out of the team to support the Covid-19 business grants administration.
- 3.3 Although audit work has started in line with the 2021/21 agreed audit plan, approved by the Governance & Audit Committee in July 2021, the majority of site visits were still on hold in Q1 due to Covid-19 restrictions

- 3.4 This report gives brief details of the work undertaken in the year to date. The report also gives details of the Section's performance indicators for the 3 months to 30th June 2021.
- 3.5 The Public Sector Internal Audit Standards came into force in April 2013 (updated March 2017) which the Internal Audit team needs to demonstrate it is compliant with; these replaced the former Code of Practice for Internal Audit within Local Government.
- 3.6 A requirement of the PSIAS is for the Internal Audit team to be externally assessed once every five years to ensure compliance with these Standards. The Welsh Chief Auditors' Group proposed an option of a peer review in order to meet the requirements of this external assessment, which has been agreed by respective S 151 Officers of local authorities in Wales. Monmouthshire's peer review took place during 2017/18 with the outcome being that the team is generally compliant; no significant areas of non compliance. The next review will be due in 2023
- 3.7 The year end opinion for 2021/22 will be based on the audit work undertaken during the year, cumulative audit knowledge from previous years on key financial systems along with any assurance gained from other parties where relevant.

4. REASONS

- 4.1 Since the start of the financial year, the Internal Audit Section has completed 9 audit jobs to draft stage from its 2021/22 Operational Audit Plan; 1 of these being opinion related and is shown in the table at Appendix 1. The team was involved with ongoing grant claim certification and additional counter fraud work regarding Welsh Government Covid grants.
- 4.2 In relation to the normal audit opinion related reports, 1 has been issued in draft by the end of the 1st Quarter which had a *Reasonable Assurance opinion*. Work was also undertaken on the National Fraud Initiative (NFI), verifying data matches.
- 4.3 Extensive work has also been undertaken on the progress of the implementation of Internal Audit Recommendations from previously issued audit reports to schools, Finance and Corporate functions, along with the provision of financial advice across directorates. Progress will be reported to the Governance and Audit Committee and the Strategic Leadership team (SLT) later in the year for consideration and timely action.
- 4.4 The team have not been able to undertake audits at schools as they ordinarily involve site visits which have been restricted due to Covid-19, as have other site visits. Follow up audits of MonLife tourist sites have not been able to have been undertaken as many of these are seasonal

and have not been open as a result of Covid-19. Other work has not been progressed as intended as some service managers are still dealing with the pressures of Covid-19.

- 4.5 At the time of writing this report, the call on Internal Audit resources to support TTP in Q4 has been reduced; the audit resource can therefore be used to work through a further re-prioritised audit programme which will concentrate on opinion related audit jobs and getting draft reports out by the year end.
- 4.6 The definitions of the four internal audit opinions and the finding ratings used by the Section are provided at Appendix 2 for Members' information.
- 4.7 Finalisation work from 2020/21 continued; of the 6 reviews at draft report stage at 31 March 2021, 5 have subsequently been finalised. Audit Management are working on finalising all 2020/21 reports by 30th September 2021.
- 4.8 There has been minimal work undertaken on special investigations during 2021/22 so far by the team. Extensive work was undertaken previously on counter fraud relating to the issue of the Welsh Government business grants. Where the team was involved in frauds resulting from this work these were not identified as separate special investigations.
- 4.9 Appendix 3 of the report gives details of the Section's performance indicators as at 30th June 2021.
- 4.10 11% of the 2021/22 Audit Plan has been completed as at 30th June 2021.
- 4.11 The team has not started the year with a full complement of staff in the team due to the secondment to support the administration of the Welsh Government Business Grants.
- 4.12 The team co-ordinates the administration of the National Fraud Initiative (NFI) data sets on behalf of the Council.

5. SERVICE MANAGEMENT RESPONSIBILITIES

- 5.1 Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and demonstrate this by including their management responses within the audit reports. When management agree the audit action plans they are accepting responsibility for addressing the issues identified within the agreed timescales.

- 5.2 Ultimately, managers within MCC are responsible for maintaining adequate internal controls within the systems they operate and for ensuring compliance with Council policies and procedures. All reports, once finalised, are sent to the respective Chief Officers and Heads of Service for information and appropriate action where necessary.

6. FOLLOW UP AUDIT REVIEWS

- 6.1 Where 'Limited Assurance' opinions are issued, they are followed up within a twelve month timescale to ensure that the agreed actions have been taken by management and that the internal control systems are improved. These will be reported separately to the Governance and Audit Committee.

7. RESOURCE IMPLICATIONS

None.

8. CONSULTEES

Deputy Chief Executive / Chief Officer Resources

Results of Consultation:

N/A

9. BACKGROUND PAPERS

Operational Audit Plan 2021/22

10. AUTHORS AND CONTACT DETAILS

Andrew Wathan, Chief Internal Auditor

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AUDIT COMMITTEE SEPTEMBER 2021

INTERNAL AUDIT SECTION PROGRESS REPORT 2021/22 – 3 MONTHS

APPENDIX 1

Internal Audit reviews from the 2021/22 Operational Audit Plan where fieldwork has been completed and/or final reports issued since 1/4/21 are listed in the table below.

Internal Control Opinions give the auditor's overall conclusion on the control environment operating in each system/establishment under review. Opinions range from Substantial Assurance through to Limited Assurance.

Draft issued indicates that a draft report has been issued and a response is awaited from the client before the report can be finalised.

Status of reports as at 30th June 2021

Internal Audit Services - Management Information for 2021/22 – Quarter 1

Opinion Summary	
Substantial	0
Considerable	0
Reasonable	1
Limited	0
Total	1

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Final / Draft	Opinion given
P2122/81	Enterprise	Enterprise & Community Animation	Disabled Facilities Grants	Medium	Draft	Reasonable

Non – opinion / Added Value Audit Work

Job number	Directorate	Service	Job Name
P2122/05	Children & Young People	Achievement & Extended Services	Monitoring Implementation of Audit Recommendations
P2122/21	Corporate	Cross Cutting	Annual Governance Statement
P2122/34	Enterprise	Placemaking, Housing, Highways & Flood	Audit Advice
P2122/38	Enterprise	Strategic Projects	Audit Advice
P2122/41	Mon Life	Mon Life	Audit Advice
P2122/47	People & Governance	People	Audit Advice
P2122/56	Resources	Finance	Audit Advice
P2122/65	Social Care & Health	Children's Services	Audit Advice

Internal Audit Opinions

Each report contains an opinion which is an overall assessment of the control environment reviewed.

SUBSTANTIAL	<p>Substantial level of assurance.</p> <p>Very well controlled, with numerous strengths identified and any risks being less significant in nature.</p>
CONSIDERABLE	<p>Considerable level of assurance</p> <p>Generally well controlled, although some risks identified which should be addressed.</p>
REASONABLE	<p>Reasonable level of assurance.</p> <p>Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.</p>
LIMITED	<p>Limited level of assurance.</p> <p>Poorly controlled, with unacceptable levels of risk. Fundamental improvements required urgently.</p>

The table below summarises the finding ratings used during our audits:

RATING	RISK DESCRIPTION	IMPACT
1	Significant	<p>(Significant) – Major / unacceptable risk identified.</p> <p>Risks exist which could impact on the key business objectives. Immediate action required to address risks.</p>
2	Moderate	<p>(Important) – Risk identified that requires attention.</p> <p>Risks identified which are not business critical but which require management attention as soon as possible.</p>
3	Minor	<p>(Minimal) – Low risk partially mitigated but should still be addressed.</p> <p>Audit comments highlight a suggestion or idea that management may want to consider.</p>
4	Strength	<p>(No risk) – Good operational practices confirmed.</p> <p>Well controlled processes delivering a sound internal control framework.</p>

For grant claim audits:

Unqualified opinion - the terms and conditions of the grant were generally complied with;

Qualified opinion - the terms and conditions of the grant were not fully complied with; the identified breaches of terms and conditions will be reported to the grantor and internally to relevant Head of Service/Chief Officer.

AUDIT COMMITTEE SEPTEMBER 2021

**INTERNAL AUDIT SECTION PROGRESS REPORT
2021/22 – 3 MONTHS**

APPENDIX 3

Performance Indicators

N /A – not available

	2020/21	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	N/A	N/A	25%		50%
2	Average no. of days from audit closing meeting to issue of a draft report	N/A	N/A	N/A		N/A
3	Average no. of days from receipt of response to draft report to issue of the final report	N/A	N/A	N/A		N/A
4	Percentage of recommendations made that were accepted by the clients	N/A	N/A	N/A		N/A
5	Percentage of clients at least 'satisfied' by audit process	N/A	N/A	N/A		N/A
6	Percentage of directly chargeable time (actual v planned)	N/A	N/A	N/A		N/A
7	Number of special investigations	N/A	N/A	N/A		

	2021/22	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	11%				10% in Q1 80% pa
2	Average no. of days from audit closing meeting to issue of a draft report	9 days				15 days
3	Average no. of days from receipt of response to draft report to issue of the final report	3 days				10 days
4	Percentage of recommendations made that were accepted by the clients	97%				95%
5	Percentage of clients at least 'satisfied' by audit process	100%				95%
6	Percentage of directly chargeable time (actual v planned)	61%				60%
7	Number of special investigations	1				

Governance and Audit Committee Forward Work Planner 2021/22

2ND SEPT 2021		
02.09.21	Audit Wales Financial Sustainability	
02.09.21	Internal Audit Charter	
02.09.21	Internal Audit Progress report - quarter 1	This is a regular quarterly report which identified the performance of the IA team along with how well it is progressing against the agreed plan and the level of assurance it gives by way of opinions issued to service areas.
7TH OCT 2021		
07.10.21	Assessment of the Robustness of the budget process and adequacy of reserves	
07.10.21	Audited Statement of Accounts	
07.10.21	ISA260 Response to Accounts	
07.10.21	Anti bribery risk assessment	
07.10.21	Treasury Outturn report	
07.10.21	Mid Year Treasury Report	A mid year update to Members on the Authority's Treasury Management activities in the first 6 months of the year. The report will compare key measures in the first half of 20/21 to levels budgeted or forecast in the 2020/21 Treasury Strategy. As the Prudential code now covers non- treasury investments, the half year report will do

		also at a high level. Any recommendations due to variances or observations will be included.
07.10.21	Implementation of Internal Audit Agreed Recommendations	
07.10.21	Overview of Performance Management arrangements	To present an update on the current effectiveness of the Authority's performance management arrangements
25TH NOV 2021		
25.11.21	Audit Committee Self Evaluation - Verbal update	
25.11.21	Update on unfavourable Internal Audit Opinions	
25.11.21	Audit Wales Certificate of Compliance for the Audit of Monmouthshire County Councils Assessment of performance for 2020/1	
25.11.21	Audited Trust fund Accounts (Welsh Church Fund/Mon Farms)	Annual Report and Financial Statements for the year ended the 31 March 2021
25.11.21	ISA 260 or equivalent for Trust Funds	
25.11.21	Internal Audit Progress report - quarter 2	This is a regular quarterly report which identified the performance of the IA team along with how well it is progressing against the agreed plan and the level of assurance it gives by way of opinions issued to service areas.
25.11.21	Review of the Strategic Risk Register-6 monthly	

13TH JAN 2022		
13.01.21	Treasury Policy and Strategy report 2022-3	This suite of documents includes the Treasury Policy, The Treasury Management Strategy, the Minimum Revenue Provision Policy & the Investment and Borrowing strategies for 2023/4. If approved the targets and limits included will be used to guide and control the management of the Authority's treasury activities for the year and also non treasury Investment activity.
13.01.22	Recovery Planning - Assurance & Risk Assessment Feedback Letter	
17TH FEB 2022		
17.02.22	WAO Annual Audit Summary	
17.02.22	Whole Authority annual complaints report	
17.02.22	Internal Audit Progress report - quarter 3	This is a regular quarterly report which identified the performance of the IA team along with how well it is progressing against the agreed plan and the level of assurance it gives by way of opinions issued to service areas.
31ST MAR 2022		
31.03.22	Whole Authority Strategic Risk Assessment	To provide Audit Committee with an overview of the current strategic risks facing the authority in the Whole Authority Strategic Risk Assessment.
31.03.22	Annual Performance Review of Investment Committee	
31.03.22	6 month update on unfavourable opinions - Internal Audit	At the conclusion of Internal Audit jobs an opinion on the adequacy of the internal control environment, governance and risk management processes is given. This report provides Audit Committee with an update of how services are progressing in order to demonstrate improvements
31.03.22	Annual Audit 22-23	

May-22		
	Annual Grants report	
	annual governance statement review 2020-1	

Public Document Pack Agenda Item 9

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held
at County Hall, Usk - Remote Attendance on Thursday, 29th July, 2021 at 2.00 pm

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

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

OFFICERS IN ATTENDANCE:

Peter Davies	Deputy Chief Executive and Chief Officer, Resources
Wendy Barnard	Democratic Services Officer
Gareth Lucey	Wales Audit Officer
Emma Davies	Performance Officer
Jonathan Davies	Acting Assistant Head of Finance
Rachel Freitag	Audit Wales Officer
David Walton	Audit Manager
Huw Owen	Principal Environment Health Officer (Public Health)

APOLOGIES:

County Councillor J.Watkins

1. Declarations of Interest

Items 7: Draft Statement of Accounts – Charitable Trust Funds

County Councillors Easson and Murphy declared personal, non-prejudicial interests as trustees of the Monmouthshire Farm 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

The Action List from the previous meeting was noted.

- Annual Governance Statement: It was clarified that the draft Annual Governance Statement referred to “minutes of ward meetings”. Action point: Para.56 of the Annual Governance Statement in the Annual Accounts should be amended to “Area Committee minutes”.
- Information Breaches: A response was circulated to Committee Members by the Head of Digital Services on the 20th July 2021. County Councillor Easson, who had raised the query, confirmed he was satisfied with the response provided.

4. Audit Wales Proposals for Improvement Progress

MONMOUTHSHIRE COUNTY COUNCIL

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The Performance Officer introduced the Proposals for Improvement Progress Report. Following this, questions were invited from Committee Members.

- A Member asked if Environmental Health's normal activities had been affected due to the pandemic. The Principal Environmental Health Officer explained that there are two Environmental Health teams; one deals with General Public Health and the second deals with Food Safety/Health and Safety/ Business related matters.

The routine work of the Food Safety team had been on hold when businesses were closed and with the priority for officers to deliver the Council's Covid Test, Trace and Protect responsibilities. This work has continued with officers also engaging with businesses as they have reopened in recent months.

The General Public Health team is involved in responding to an escalating number of complaints as normal e.g. air pollution, housing enforcement, dog fouling; work that has continued. The example was provided of an increase in complaints about bonfires and smoke and noise during the first lockdown.

The Governance and Audit Committee resolved to approve the recommendations.

1. Members considered the current position of proposals and future actions being taken to address them and sought assurance that adequate progress is being made.
2. Members agreed to refer any issues contained within Audit Wales national studies to other committees for consideration where they identified there are findings of particular relevance to the council.

5. Monmouthshire CC Draft Accounts

The Acting Assistant Head of Finance presented the draft Statement of Accounts for 2020/21. Following presentation of the report, Committee Members were invited to comment and ask questions.

A Member thanked the Officer and staff for preparing the document especially during the pandemic, and Member queried the considerable deficit on the pensions reserve. It was clarified that there is a significant increase in the pension fund liability (projected to be an increase of £74.6m) which has negatively impacted the balance sheet. It was noted that this arises from a mid-triannual valuation of the pension fund undertaken by the Actuary. The consequent increases in pension liability will not occur until the next valuation is undertaken. There will be no requirement to pay overcontributions to the fund until the valuation is complete. The key drivers include the discount rate used by the Actuaries and the inflation factor. In March 2020, the discount rate used to calculate the liability was based on an economy and market in turmoil due to the pandemic. Part of the effect is a year on year movement where Government Yields have stabilised over 15 months and assets held by the pension fund are forecast to return less than in March 2020. The biggest impact is from the inflation factor used due to the requirement for the fund to base inflation on CPIH (Consumer Price Index with Housing costs) from 2030 onwards which increases the rate of inflation on the payments made from the fund, and the liability. This was a new regulation from December 2020 that was not known when the 2019/20 accounts were prepared. The authority is in discussion with the pension fund to understand if it will result in a requirement to increase contributions annually from 2022/23 onwards.

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The Member asked if there was any indication of the likely effect on the budget in terms of increased contributions. It was confirmed that there is no forecast available. The tri-annual valuation is very detailed and until completed it would not be possible to predict the impact. Members were reassured that if there was any movement in liability, the intention is to recoup the liability over a significant number of years.

A Member asked if changes to investments affected the liability e.g. green and eco decisions within the investment portfolio of the pension fund. [Action: This query will be directed to the pension fund and will be reported back to Committee Members.]

The Deputy Chief Executive and Chief Officer for Resources confirmed that if there is a need to increase employer contribution rates, this would be managed over an extended period. It was highlighted that, as has previously happened, contributions can be increased gradually to manage the deficit. Advance notification would be received to enable arrangements. The increased liability will apply UK wide and it is likely there will be pressures on the Government to act.

It was explained that there is a responsible and ethical investment group that reports to the Greater Gwent/Torfaen Pension Fund to assure a sustainable fund (20%) which is bound to meet specific benchmark returns. The investment assets of the funds have recovered well from March 2020 but not to a level to offset the increases in pension liability.

Regarding ethical and responsible investment, market capitalisation in response to the climate emergency was predicted to attract a lot of investment in those sectors including pension funds.

A Member queried school budget balances (only two schools hold deficit budgets as at the end of March 2021) and asked about plans to reduce the surpluses noting the late grants received for maintenance costs and recovering educational standards. It was explained that schools with substantial surpluses have been requested to prepare investment plans in line with Welsh Government guidance. These plans have been received and will be implemented subject to the grant amounts being used for the purposes for which they were awarded.

The Chair commented that the accounts are clearer and easier to read than previous and particularly welcomed the inclusion of the CIPFA understanding local authority financial statements and the summary of 2020/21 primary statements.

The Chair asked for clarification about differing amounts recorded for capital receipts in the report (£7.4m) and table (£1m). The Acting Assistant Head of Finance explained that the table shows the amount of capital receipts (£1m) used during the year to finance capital expenditure. The report records that £7.4m has been received during the year with a net difference of £6.4m which represents the increase in capital receipts for the year.

As per the recommendations, the Governance and Audit Committee:

- 1) Noted the 2020/21 draft Statement of Accounts and highlighted any queries and comments.
- 2) Noted that the audited Statement of accounts for 2020/21 will, prior to being presented to Council, be reviewed by this Committee during the autumn.

6. Internal Audit Plan 2021/22

The Internal Audit Manager presented the Internal Audit Plan 2021/22. Following presentation, Committee Members were invited to ask questions.

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A Committee Member asked about the effects of Covid 19 on attendance at work (not sickness), and whether or not this element would be included in the plan to identify lost time due to Covid 19. It was explained, in terms of attendance management, there has been recent audit work on the management of sickness absence and policy compliance but no plans to consider absence not due to illness relating to Covid 19. The Deputy Chief Executive and Chief Officer for Resources explained that the authority has been capturing statistics on staff unable to work since March 2020 for business continuity reasons e.g. self-isolation, close contact, shielding staff etc. Where difficulties have been encountered, staff have been redeployed to ensure frontline services continue.

In line with the report recommendations, the Governance and Audit Committee reviewed, commented on and approved the Draft Internal Audit Plan 2021/22.

7. Draft Statement of Accounts 2020/21 - Charitable Trust Funds

The Audit Wales Officer introduced the draft statement of accounts 2020/21 – Charitable Trust Funds. The Acting Assistant Head of Finance also introduced the next item, the Audit Plan – Welsh Church Fund and the items were considered together. Following presentation of the reports, Committee Members were given the opportunity to comment and ask questions.

County Councillors Easson and Murphy declared a personal, non-prejudicial interest as trustees of Monmouthshire Farm School Endowment Trust Fund.

A Committee Member commented that the accounts look strong and appear to have bounced back to continue to continue grants to beneficiaries.

A Member asked for comments regarding the relationship between the Monmouthshire Farm School Endowment Trust Fund and the Roger Edwards (RE) Trust. The Principal Finance Manager, Children and Young People, clarified that the Roger Edwards Trust provides two thirds of its income after allowable expenses, to the Monmouthshire Farm School Endowment Trust Fund. The RE Trust, for the last two years, has offset a number of expenses resulting in no income being transferred. The expenses have mainly been in relation to significant investment into buildings owned by the RE Trust. There is regular communication and updates on the position.

As contained in the recommendations, the Governance & Audit Committee noted the 2020/21 draft Statement of Accounts for the above bodies and highlighted any queries and comments.

8. Audit Plan - Welsh Church Fund

This item was considered with the previous item.

9. Internal Audit Outturn Report 2020/21

The Internal Audit Manager presented the Internal Audit Outturn Report 2020/21. Following presentation of the report, members were invited to comment and ask questions.

A Committee Member referred to the transfer of the Shared Resource Service (SRS) to Torfaen County Borough Council and asked for clarification about an inherited debt of £86,000 from 2019 and requested an explanation of the current position.

The Acting Assistant Finance Manager explained that this is an item held in the accounts as a provision relating to winding up the administration. There has been no indication if this liability will be required and the inclusion in the accounts is a prudent provision. The authority is

MONMOUTHSHIRE COUNTY COUNCIL

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working with Torfaen County Borough Council on this matter. The Acting Assistant Finance Manager agreed to provide a further update in the Autumn.

A Member referred to frauds relating to the award of Business Support Grants and enquired if they had been brought to the attention of the Police. It was confirmed that the first referral is to the banks fraud team to recover any money from recipient accounts. Prompt notification resulted in recovery of 25% of fraud losses. A referral is also made to Gwent Police or Action Fraud and the local government anti-fraud network to reciprocally share information with other local authorities UK wide.

The Member asked how much money was involved, and how many frauds were detected. It was confirmed that it is less than 0.5% of the total applications received, and their total value.

A Member referred to the 25% recovered and enquired if there is further action to recover the remainder. It was explained that once matters are referred to the Police, it's for the Police to take forward as a criminal investigation. It has been confirmed that no further action has been notified for some cases, and updates are awaited on other cases. It was confirmed that the fraud losses have been covered by Welsh Government.

As per the report recommendations, the Governance and Audit Committee endorsed the internal Audit Outturn Report 2020/21.

10. Audit Wales Work Programme and timetable

The Audit Wales Officer introduced the Audit Wales Work Programme and timetable. The Deputy Chief Executive and Chief Officer for Resources welcomed the work programme plus the regular liaison meetings with Audit Wales.

The report was noted by the Committee.

11. Forward Work Planner

The Forward Work Planner was noted. It was agreed that the planner would be amended to include the following items for the meeting on 2nd September 2021:

- Audit Wales Review on the Financial Sustainability of the Council
- Q1 Internal Audit Report
- Internal Audit Charter

The Adequacy of Reserves report was deferred to the 7th October 2021.

12. To confirm minutes of the previous meeting held on 1st July 2021

The minutes of the previous meeting were confirmed as a true record.

Arising from the minutes, a Member asked if the process to recruit Lay Members has commenced. It was confirmed that a session will be arranged to review the Governance and Audit Committee. Initial steps have been taken for a co-ordinated approach to the recruitment of lay members across Wales by the WLGA.

13. To confirm the date of the next meeting as 2nd September 2021 at 2pm

MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of Governance and Audit Committee held
at County Hall, Usk - Remote Attendance on Thursday, 29th July, 2021 at 2.00 pm**