

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

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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 Acting Assistant Head of Finance and Audit Wales Officer presented the draft statement of accounts 2020/21 – Charitable Trust Funds and the next item, the Audit Plan – Welsh Church Fund; 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 award 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

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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

Meeting ended at 3.20 pm

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