

MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of Governance and Audit Committee held
at County Hall, Usk - Remote Attendance on Thursday, 16th February, 2023 at 2.00 pm**

PRESENT: Andrew Blackmore (Chairman)
County Councillor Peter Strong (Vice Chairman)

Lay Members: Martin Veale, Colin Prosser, and Rhodri Guest

County Councillors: Ian Chandler, John Crook, Malcolm Lane,
Phil Murphy, Peter Strong, Laura Wright and Tony Kear

OFFICERS IN ATTENDANCE:

Andrew Wathan	Chief Internal Auditor
Peter Davies	Deputy Chief Executive and Chief Officer, Resources
Wendy Barnard	Democratic Services Officer
Jonathan Davies	Head of Finance
Rachel Freitag	Audit Wales Officer

APOLOGIES:

County Councillor Tony Easson

1. Declarations of Interest

No declarations of interest were made.

2. Public Open Forum

No requests were submitted.

3. To note the Action List from the previous meeting

The Action List from the previous meeting was noted:

1. Key collaborations and partnerships – 14th July 2022
 - a) Outcome of Internal Audit's review of effectiveness/trends: The Chief Internal Auditor reported that work is ongoing, and outcomes will be reported to Governance and Audit Committee on 30th March: ONGOING
 - b) Add Job title of lead officers, nature of authority's role and most appropriate scrutiny committee: CLOSED
2. Amend the final version of the Statement of Accounts to reference significant occurrences nationally and globally and to explain abbreviations: CLOSED
3. 2021/22 Welsh Church Fund /Monmouthshire Farm School Endowment Trust
 - a) Consider disclosure of the types of grants awarded being published in the Welsh Church Fund (WCF) accounts: CLOSED
 - b) Next annual set of accounts (WCF) - trustees to provide affirmation to the Governance and Audit Committee that grants have been made in accordance with

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held at County Hall, Usk - Remote Attendance on Thursday, 16th February, 2023 at 2.00 pm

the rules of the trust: Agreed that Jon Davies would own this action and look to address in the next annual accounts - CLOSED

4. Work Programme
Reprioritise agenda items for February and March 2023 meetings: CLOSED
5. Cyber security
 - a) Review arrangements for Members to access confidential agenda items: CLOSED
 - b) Add the annual TCBC audit plan for the SRS, the annual audit opinion, and any audit reports with an 'unsatisfactory' rating or equivalent to supplement the conclusions of the review of the adequacy of the TCBC audit function to the forward work programme: The Chief Internal Auditor confirmed that the opinions and plan from the Torfaen Internal Audit Team will be included in the work programme. Members were reminded that the outcome of the plan in previous years was included in the Chief Internal Auditor's Annual Report (July 2022) and these will be included in the Annual Plan going forward – OPEN

4. 2021/22 Monmouthshire County Council Statement of Accounts (Final)

Items 5 and 6 were considered together.

The Head of Finance presented the 2021/22 Statement of Accounts for Monmouthshire County Council and thanked the various teams for their contribution to the final document, and Audit Wales for its constructive and helpful approach. The Committee was reminded that the main reason for the delay was due to the technicality regarding the valuation and disposal of infrastructure assets.

The Audit Wales Officer presented the ISA260 response to the accounts and thanked the Finance Team welcoming the good working relationship.

Following presentation of the report, questions from Committee Members were invited:

- A Member asked if similar problems with deadlines are anticipated for this year. The Head of Finance stated that initial discussions suggest that draft accounts will be earlier this year. The Audit Wales Officer added that the delays had a subsequent effect with other sector audits. Discussions with Welsh Government are in progress and it is hoped that the deadlines will be brought forward from January incrementally year on year to return to original timescales.
- The Chair questioned the reference to reduced Finance Team capacity and changes in personnel across departments and queried how this is being addressed. The Head of Finance confirmed that it is planned to build resourcing to make permanent appointments in the Finance Team to improve capacity for future years. Discussions have started early with other departments to prepare for year-end information. It was requested that the Head of Finance reports back on work to return the Finance Team to full capacity in the summer. The Deputy Chief Executive referred to the vast amount of work involved in the budget setting process this year. There are issues that will draw on the Finance Teams in terms of budget and cost monitoring e.g. social care is a significant overspend. It was confirmed that the savings proposals aim for a more sustainable footing. Capacity issues are likely to continue.
- The Member queried the overstatement of creditors of £361,000. The Head of Finance suggested that this situation reflected the lateness in receiving grant funding from Welsh Government that caused significant administrative issues. In discussion with Audit

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held at County Hall, Usk - Remote Attendance on Thursday, 16th February, 2023 at 2.00 pm

Wales, it is planned to treat the late award of grants appropriately in future to avoid a recurrence.

- A Member expressed concern about the changes to timescales combined with capacity issues were likely to cause problems with scheduling. It was suggested that, in the ISA260 response, there should be commentary about why there was a missed deadline and the consequences. It was suggested and agreed by Audit Wales that there should be reference that there was understanding of the reasons why adjustments weren't made to uncorrected misstatements. In terms of the timetable, it is anticipated that there will be correspondence with authorities to confirm future deadlines.
- A Member referred to Council Tax increases and queried the difference in Council and market valuations for Council Tax bandings. The Head of Finance was requested to provide a response outside the meeting.
- The Chair referred to the statement that from 1 April 2021 to 31 March 2025 a temporary relief to the CIPFA code is allowed not to report gross cost and accumulated depreciation for infrastructure assets. He queried the level of confidence in meeting requirements post March 2025. The Head of Finance explained that detailed work was carried out four years ago to determine infrastructure assets e.g. meterage and condition of roads. The assets were componentised in preparation for the proposed Highways Network Assets legislation and subsequently shelved by CIPFA. These records will form the base data for post March 2025.

The Deputy Chief Executive wished to thank the Head of Finance and Finance Team, and Audit Wales Officers for the work in closing the accounts in difficult circumstances. The thanks were echoed by the Committee.

Referring to the report recommendations, the Committee noted that the accounts have been amended since the draft version was published to reflect the outcomes of the external audit process, and as noted within the Audit Wales ISA260 Audit of accounts report.

The Governance and Audit Committee approved the final audited Monmouthshire County Council statement of accounts for 2021/22.

5. ISA260 Response to Accounts: Audit Wales

This item was considered with item 5 above.

6. 2023/24 Capital Strategy and Treasury Strategy

The Head of Finance presented a report on the 2023/24 Capital Strategy and Treasury Strategy. Following presentation of the report, Members were invited to ask questions:

- A Member, noting the fall in capital receipts and possibility of more borrowing, asked if the authority was close to the authorised limit on borrowing. The Head of Finance responded that the authority is not close to the authorised limit for debt because of the internal borrowing strategy. It will be necessary to monitor borrowing costs against net budget as capital investment plans are developed over the medium term. The authority has been successful in attracting grant funding for the capital programme and hopefully more will follow to allow further capital investment.
- A Member sought clarification about the projections for assets on the medium term financial plan and referred to the decline in capital investment over 5

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held at County Hall, Usk - Remote Attendance on Thursday, 16th February, 2023 at 2.00 pm

years. It was asked if this reflected the existing plan or if the council's ability to identify new areas for significant capital investment is limited. The Head of Finance, reflecting on the core programme, noted that prior years were significantly impacted by the investment in the 3-19 School in Abergavenny and the Crick Rd replacement care home. The authority must be mindful of what is an affordable budget based on the revenue budget and the amount of affordable borrowing. The core programme is supported by the settlement from Welsh Government, a small amount of capital receipts and reliance on external grants. The level of borrowing detailed is the amount considered to be affordable and sustainable for the Council.

- A Member asked if the Capital Strategy and the medium-term financial plan are considered at the same time. The Head of Finance explained that the medium-term financial strategy is based on the development and approval of the Community and Corporate Plan. The Capital Strategy and medium-term financial strategy will wholly align. The capital and revenue budgets are closely aligned.
- Regarding commercial assets, a Member asked for a breakdown of investments revenue as the figure provided was consolidated. It was noted that the format of the strategy is heavily prescribed by the Code.
- A Member asked how often the value of assets for yield is reviewed and where the outcomes are reported. The Head of Finance explained that the Investment Committee explores options and the exit strategy at each meeting. Additionally, the Estates and Finance teams liaise regularly about the positioning of the investments and returns to ensure returns justify risk. Commercial investments continue to provide a net income stream that would have to be replaced with an alternative if a decision was taken not to continue. Exit strategies have been explored to consider the consequences of disposal. In response to a question, it was explained that the purpose of the table is to demonstrate that the authority is not overly reliant on commercial investments income as a proportion of the budget. Net income is reported in monitoring reports.
- A Member asked about the environmental and social elements of the policies and asked when a framework will be developed. The Head of Finance reported that discussions with the Treasury advisers have taken place and the current position is that the information available is immature and frameworks are developing. It was agreed that the developing position will be reported quarterly. It was explained that time and resources will be required to monitor this aspect. The authority has a commitment to the prioritisation of responsible, sustainable, and ethical investments. In response to a question, it was confirmed that there are regular meetings with the advisers to develop the policy into a framework.
- The Chair asked about the status of the Investment Committee and was advised by the Deputy Chief Executive that it is planned to bring a report to Governance and Audit Committee, Scrutiny then to Full Council regarding Investment Committee. A meeting of the Investment Committee will be convened soon to review performance and to receive the report. All usual arrangements regarding overseeing the investments portfolio will continue and an interim update will be provided to Investment Committee Members via e

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held at County Hall, Usk - Remote Attendance on Thursday, 16th February, 2023 at 2.00 pm

mail and to Governance and Audit Committee at its meeting on 15th June 2023.

- A Member asked for a trend analysis of the value of the commercial investments year on year, also for the income received that contributes to services.
- Referring to the Solar Farm, a Member asked if the Council is looking to increase capacity at Oak Grove and/or increase sites especially in view of e.g. sustainability and Greener Gwent. The Deputy Chief Executive explained that if either suggestion delivered policy objectives, and generated a return to the Council, it would be a good outcome. Moreover, there are sites in the replacement Local Development Plan brought forward by the Council and other landowners.
- A Member referred to the Newport Leisure Park and the restraints on e.g. Public Works Loan Board borrowing and asked if there is an exit strategy. It was explained that the exit strategy is reviewed at each meeting of the Investment Committee. It is not considered a good time to sell and there is good interest in the site so the focus is on filling the current voids. It was confirmed that under the code guidelines, the Council is not limited in its ability to access PWLB loan funding nor its ability to make improvements to the site.

As per the report recommendations, the Governance & Audit Committee considered the draft Capital strategy for 2023/24 and endorsed it for onward circulation and approval by full Council.

Additionally, the Governance & Audit Committee considered the draft Treasury management strategy for 2023/24 and endorsed it for onward circulation and approval by full Council. This includes the:

- 2023/24 Minimum Revenue Provision Policy Statement
- 2023/24 Investment & Borrowing Strategies

The Governance & Audit Committee noted the requirement to review the Council's treasury management activities on behalf of the Council by receiving quarterly treasury management activity updates during 2023/24 as per the requirements of the updated CIPFA Treasury Code of Practice.

7. Assessment of Internal Audit Team Capacity and Resource

On behalf of the Committee, the Chair congratulated the Chief Internal Auditor on his new appointment.

The Chair referred to the "Assessment of Internal Audit Team Capacity and Resource" report noting the proposal to remove of one FTE Senior Auditors from the current Internal Audit Team structure.

In response to a question, the Deputy Chief Executive explained that the post of Chief Internal Auditor is shared with and hosted by Newport City Council and discussions are in progress. Options for collaboration are under consideration to provide resilience and sustainability. The Audit Manager post is currently under provisional offer.

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held at County Hall, Usk - Remote Attendance on Thursday, 16th February, 2023 at 2.00 pm

The Chief Internal Auditor presented the report on the Assessment of Internal Audit Team Capacity and Resource. Following presentation of the report, Members were invited to ask questions:

- Members noted that the Committee has accepted that capacity issues in the Internal Audit Team. It was suggested that the removal of a Senior Auditor post would pose an unacceptable risk.

Considering the report recommendations, the Committee considered the points made in the report and felt it was appropriate to express their comments or concerns formally to the Deputy Chief Executive and Cabinet as part of the Council's formal budget consultation process.

Therefore, due to the concerns expressed, the Committee resolved as follows:

Whilst recognising the budgetary challenges facing the Council, this Committee views the proposed removal of 1 FTE from the audit function (representing c18% reduction in resourcing) as having a disproportionately adverse impact on the function's ability to provide necessary levels of independent controls assurance. Further, the Committee notes the resignation of the Chief Internal Auditor which when considered alongside the proposed headcount reduction is likely to result in an unacceptable level of discontinuity and adverse impact on the audit work programme. Consequently, this Committee recommends that the Cabinet/Council does not proceed with this proposed reduction in headcount at the current time.

8. Internal Audit Progress Report - Quarter 3

The Chief Internal Auditor presented the Internal Audit Progress Report for Quarter 3. Following presentation of the report, Members were invited to ask questions:

- A Member asked for an analysis covering what the team proposed to complete in a year, what has been finished and what wouldn't be completed by the end of the year.

As per the report recommendations, the Committee noted the audit opinions issued and noted the progress made by the Section towards meeting the 2022/23 Operational Audit Plan and the Section's performance indicators at the 9-month stage of the financial year.

9. To note the Governance and Audit Committee Forward Work Programme

The Governance and Audit Committee Forward Work Plan was noted.

10. To approve the minutes of the previous meeting held on 26th January 2023

The minutes of the previous meeting were confirmed as an accurate record subject to an amendment to the format of the list of those present.

11. To note the date of the next meeting as 30th March 2023 at 2.00pm

Meeting ended at 4.02 pm