

# Public Document Pack

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at Remote Meeting on Thursday, 25th June, 2020 at 2.00 pm

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

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

#### **OFFICERS IN ATTENDANCE:**

Andrew Wathan	Chief Internal Auditor
Peter Davies	Chief Officer, Resources
Gareth Lucey	Wales Audit Officer
Charlotte Owen	Wales Audit Officer
Richard Jones	Performance Manager
Jonathan Davies	Central Accountancy Finance Manager

#### **APOLOGIES:**

None

#### **1. Declarations of Interest**

County Councillor A. Easson declared a personal, non-prejudicial interest in agenda item 7 (Monmouthshire County Council Draft Accounts) as a Governor of Ysgol Gymraeg Y Ffin and Dewstow Primary School.

#### **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. The following updates were provided:

- Performance Management: The Chief Officer, Resources responded that since the last meeting, the authority had been responding to the COVID 19 emergency by prioritising support for communities and businesses. The Performance Management report that was planned has been delayed. Focus has been on the wellbeing of staff reflecting the new circumstances. The introduction of Microsoft Teams across the organisation was commented upon. An analysis of staff interaction via Teams will be undertaken to provide information for future working and communication. A Member queried if any assessment was being conducted into the psychological impact on staff working from home (e.g. isolation). It was confirmed that a staff survey is in progress. Whilst appreciating everyone's circumstances are different, so far responses indicate that, for most staff, working at home has been a positive experience with more interaction with teammates for some. A lot of wellbeing materials are available. County Hall is shortly to re-open in line with UK Government social distancing requirements for staff who want to work there for short periods.

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- Unfavourable Audit Opinions: The Chief Internal Auditor referred to the work concerning Agency Work 2018/19 and 2019/20. All responses have now been received and the finalised report sent to senior managers in March 2020. Managers have agreed to implement most of the recommendations. A summary version of the report will be brought to Audit Committee and will be added to the work programme.
- Whole Authority Strategic Risk Assessment: The Performance Manager provided an update on the long-term risk and opportunities work being developed in partnership with Gwent Public Service Board. This work is still under development and timescales have been affected by COVID 19. Currently, the whole authority risk register has been updated according to the new risks posed by COVID 19 (e.g. the financial impact). The new risks will be managed and mitigated according to the authority's strategic risk management arrangements. In response to a question, it was confirmed that Emergency Planning and Business Continuity arrangements are in place to manage the current emergency, and the responsibility of the Audit Committee is to seek reassurance about the authority's strategic risk management arrangements and these are regularly reported upon. An interim monitoring report covering COVID 19 will be added to the Work Programme.
- Investment Committee Annual Review: The Chief Officer, Resources explained that there has been regular and frequent communication with tenants at Castle Gate and Newport Leisure Park. Whilst no rent concessions have been agreed to date, quarterly rent invoices have been issued and may trigger further conversations. UK Government support measures for job retention and furlough of staff are in force. It was pointed out that the local authority will have significant shortfall arising from loss of income from Leisure Services, Registrars etc. £78m funding has been made available by Welsh Government and the eligibility criteria is awaited. Audit Committee will be provided with a report at a future meeting and assurance was provided that the Investment Committee receives regular reports to keep abreast of the current situation. A Member asked about the possible re-opening of some leisure outlets with social distancing and the effect on Investment Policy going forward. It was responded that the investments are for long term gain. The Investment Committee will continue to monitor and manage the ongoing and evolving situation. There are no current plans for exit strategies.

#### **4. Code of Corporate Governance**

The Chief Internal Auditor introduced the Code of Corporate Governance explaining that this is a framework to establish the Annual Governance Statement.

The Council uses the Code of Corporate Governance to establish its Annual Governance Statement to ensure that the Council conducts its business in accordance with the law and to proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. It is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and includes arrangements for the management of risk.

In response to a query about the leadership descriptors, it was confirmed that the descriptions are standard principles from the CIPFA and SOLACE (Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives) Corporate Governance guidance and there are references to Officer/Member protocol. The training element for Members is mentioned in the Annual Governance Statement.

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In line with the report recommendations, the Audit Committee contributed to the appropriateness and content of the draft Code of Corporate Governance and subsequently endorsed it for Cabinet approval.

### **5. Annual Governance Statement**

The Chief Internal Auditor presented the Annual Governance Statement noting that it feeds into the annual statement of accounts, and is based on the Corporate Code of Corporate Governance. Included are links to the Corporate Plan, Risk Management arrangements, work of the Public Service Board, the authority's work and internal controls. This year an overview of the Council's response arrangements to the COVID 19 pandemic is included.

It was commented that it is a comprehensive and well set out document. In line with the report recommendations, the Audit Committee contributed to the appropriateness and content of the draft AGS 2019/20 and subsequently endorsed it.

### **6. Monmouthshire County Council Draft Accounts**

The Finance Manager presented the draft accounts. Credit was paid to the efforts of the Finance Team, during difficult circumstances, for submitting the accounts to Audit Wales by the statutory deadline of 15 June 2020. Thanks were officially recorded from the Committee and Chief Officer for Resources. The audited statement of accounts will return to this Committee at the September meeting to consider recommendation to Council and publication by the statutory publication date of 15<sup>th</sup> September 2020. The content of the statement is highly regulated by legislation. Following presentation, questions were asked by Members, as follows:

In response to a question, it was confirmed that Select Committees do not consider the statement of accounts; Audit Committee completes scrutiny. Outturn reports are presented to Select Committees.

County Councillor A. Easson declared a personal, non-prejudicial interest in the following matter as a Governor of Ysgol Gymraeg Y Ffin and Dewstow Primary School.

Regarding School deficits, Cabinet has received a detailed report of those schools with deficit budgets, and those moving out of deficit. Schools are required to agree that they the deficit will be removed within three years. Extensions to this timeframe are permitted only with the agreement of the authority. Interest free loans are also available to schools to aid recovery from deficit. A Member questioned the principle of allowing schools to borrow funds to recover from a deficit position, and was concerned that the cost of loans could rise to a point that schools would be unable to repay the loan. It was responded that schools can access interest free loans with a repayment period of ten years. The basis being that the funds can assist restructuring. Officers would work with schools to provide advice on financial planning

In respect of debtors, it was explained that there has been a slight reduction in debtors since the previous year. The authority's Finance Team uses a process to actively recover debt. Allowance has been made to take into account the impact of COVID 19 on council tax arrears. Provision for bad/unrecoverable debt is contained in the statements of accounts.

With regard to redundancies, it was explained that these have been mainly due to the restructuring of services so it is difficult to predict if redundancies have reached a peak.

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A Member pointed out that the Council's administrative centre is at The Rhadyr, not Usk and asked that this is amended. The Member also queried why the revised budget and not the original budget is included to enable comparison and to review performance. It was agreed to take this into account.

Responding to a question about the Cardiff Capital Region (CCR), the Chief Officer for Resources provided detail that the CCR investment fund has made one significant investment for compound semiconductor sector (IQE PLC). CCR is actively establishing a number of funds that require business cases and expenditure for due diligence. It is anticipated there will be significant investment during 2020/21. A Members' Seminar is arranged for the Leader, Chief Executive and Chief Officer for Enterprise to provide a wider update on the activity of the CCR.

In response to a question, it was responded that the authority sets borrowing limits as part of its treasury strategy at the beginning of each year. To exceed the borrowing limit would require the approval of Council. Borrowing during 2019/20 was below the limit set.

As per the recommendations in the report, the draft Monmouthshire County Council Statement of Accounts for 2019/20, as presented for audit, was reviewed.

### **7. Audit Committee Self-Assessment**

The Chief Internal Auditor reported upon the Audit Committee self-assessment activity. The majority of Committee Members had completed the survey and the outcomes were mainly positive. It was agreed that the Chief Internal Auditor would form an action plan to address where some Members may have registered concerns based on the outcomes and discussion with the Committee. It was agreed to add the following to the action plan or otherwise address:

Q10: Formalise Officers' attendance at Audit Committee (promptness etc)

Q13: Formalise Interaction with other Committees – Chief Internal Auditor to liaise with Scrutiny Manager

Q22: Client perceptions on Internal Audit Team performance – Customer Satisfaction Survey overview of customer ratings to be added to quarterly report.

Q27: Private meetings with the External Auditor – this facility is available and can be accommodated as necessary. Good relationships exist with Audit Wales.

Q41: Knowledge and Skills framework – Chief Internal Auditor to look into feasibility of providing training for Audit Committee tailored to the knowledge and skills of members.

In line with the recommendations in the report, the Audit Committee considered the feedback of its own self-assessment and agreed that the comments are a consensus of the group; considered any improvements they have identified in the governance arrangements or the way Audit Committee operates to take forward via an agreed action plan.

### **8. Audit Wales: Certificate of Compliance for the Audit of Monmouthshire County Council's 2020/21 Improvement Plan**

The Audit Wales Officer presented the report. It was confirmed that the Council has discharged its duty to produce a forward-looking Improvement Plan that is in line with the legislative requirements of the Local Government Measure. Consequently, a Certificate of Compliance has been issued.

The Performance Manager provided clarification that the report refers to the publication of the mid-term refresh of the Council's Corporate Plan for the period 2017-2022.

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#### **9. Forward Work Planner**

In response to a question, it was confirmed that the Monmouthshire Schools Farm Trust and Welsh Church Fund accounts are listed for consideration by Cabinet.

#### **10. To confirm minutes of the previous meeting**

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

#### **11. To confirm the date of next meeting as 30th July 2020 at 2pm**

**Meeting ended at 3.50 pm**

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