

# Public Document Pack

## MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held  
at Remote Meeting on Thursday, 15th October, 2020 at 2.00 pm

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

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

### **OFFICERS IN ATTENDANCE:**

Andrew Wathan	Chief Internal Auditor
Peter Davies	Chief Officer, Resources
Wendy Barnard	Democratic Services Officer
Gareth Lucey	Wales Audit Officer
Anthony Veale	Wales Audit Officer
Jonathan Davies	Central Accountancy Finance Manager
Sian Hayward	Digital and Technology Manager

### **APOLOGIES:**

County Councillors

#### **1. Election of Chair**

Mr. P. White was elected Chair.

#### **2. Appointment of Vice Chair**

County Councillor J. Higginson was appointed as Vice Chair.

#### **3. Declarations of Interest**

County Councillors P. Murphy and A. Easson declared personal , non prejudicial interests as trustees of Monmouthshire Farm Endowment Trust for Items 8 and 9: Audited Statement of Accounts/ ISA260 Response to Accounts

#### **4. Public Open Forum**

No members of the public were present.

#### **5. To note the Action List from the previous meeting**

The action list from the last meeting was noted and the following updates were provided:

- Performance Management: Moved to Forward Work Plan – 26<sup>th</sup> November 2020
- Unfavourable Audit Opinions - Agency Work: Moved to Forward Work Plan – 26<sup>th</sup> November 2020
- Annual Review Investment Committee: Moved to Forward Work Plan – 25<sup>th</sup> March 2021
- Audit Committee Self Assessment: Moved to Forward Work Plan – 26<sup>th</sup> November 2020

# MONMOUTHSHIRE COUNTY COUNCIL

## Minutes of the meeting of Audit Committee held at Remote Meeting on Thursday, 15th October, 2020 at 2.00 pm

- Audit Committee Annual Report: Presented to County Council on 10<sup>th</sup> September 2020.

### **6. Information Breaches**

The Head of Digital Services presented the report on GDPR, Data breaches, Freedom of Information and Subject Access Requests in a new report format. Feedback on the format to improve future reports was welcomed. Following presentation of the report, questions were asked:

A Member queried the higher level of GDPR breaches in schools, why schools are in this position and how soon schools will be in compliance. It was explained that schools are their own data controller and consequently don't have to report corporately, reporting to the Information Commissioner instead. It was responded that a Schools GDPR Officer has been appointed who has visited all schools to offer training and raise awareness of data governance issues.

It was also questioned how complaints (procedures and timescales) are reported. Complaints are reported to Audit Committee annually by the Customer Relations Manager. Subject Access Requests are dealt with by the Customer Relations Section. The complexity of Subject Access requests has greatly increased and are very time consuming. Efforts are being made to digitise data so that it is easier to access it and analyse it to respond to requests.

The Chair asked what training staff receive to prevent information breaches. Digital training is provided that covers a variety of topics to encourage good information governance. The training has a quiz at the end to ensure that the recipient has acquired a good level of understanding. Training is targeted at the areas of highest risk of loss of confidential data, such as social care.

A Member asked about the time and cost of Freedom of Information requests. It was agreed that this aspect could be better publicised to the public to help limit more routine or of the cuff requests. There is a 18.5 hour limit on the amount of officer time to prepare a response and if this time is likely to be breached we can ask the requestor to reconsider the request or we can refuse it.

The Audit Committee undertook the report recommendation to scrutinise the report and took the opportunity to request any further clarification of the information within it. Committee Members were invited to discuss how the layout of the data could be improved and if there was any level of detail that might make the information more useful and meaningful in future reports.

### **7. Adequacy of Reserves Report**

The Finance Manager presented the Adequacy of Reserves report. Following consideration of the report, Members asked questions as follows:

Noting that there are twelve schools in a deficit budget position, a Member commented that one comprehensive school is showing a surplus position because of a £250,000 loan. It was queried how repayment will be made and secondly, if it is correct to record a surplus position when there is a debt of £250,000. It was agreed that the loan makes the budget appear as a surplus and that, for clarity, some narrative will be added to the report and/or the table.

A Member referred to the Monmouthshire reserve of 4.76% due mainly to the £1.8m received from VAT recovery. It was noted that across Wales, Councils hold an average of 17% of expenditure in reserves. Twelve Councils appear as above average with the highest holding reserves of 34% of expenditure. It is clear that Monmouthshire County Council is poorly funded

# MONMOUTHSHIRE COUNTY COUNCIL

## Minutes of the meeting of Audit Committee held at Remote Meeting on Thursday, 15th October, 2020 at 2.00 pm

and that the Barnett Formula needs to be reviewed. It was questioned, if the authority had the average Welsh funding how much would be needed to place its finances in better order. It was estimated that, every 1% equivalent financing would bring an increase in £900,000. It was added that it is difficult to draw comparisons on an all Wales basis because of differing service investment levels.

A Member commented that a simplified clear message would help to make residents understand the financial problems in the County. The Member offered to work with officers. It was agreed that the public consultation from January on the Budget would be a good opportunity to highlight such information. The Finance Officer will look into the suggestion and report back at a future meeting.

As per the report recommendations, the Audit Committee noted the forecast usage of reserves for 2020/21 as contained within Table 1 of the report and for future years as shown in Appendix 1.

The Audit Committee noted the decline in earmarked reserve balances and that the reserves protocol in 2015 slowed and stabilised balances, albeit at levels which have limited opportunities for significant investment to meet the one off costs to invest and transform services.

The Audit Committee noted that the Council Fund balance remains at the lower end of the 4% to 6% indicator of acceptable and prudent levels even when taking account of the one off specific replenishment of Council Fund as part of the 2019/20 revenue outturn and specifically relating to the financial response to the COVID-19 pandemic and MTFP.

### **8. Audited Statement of Accounts**

The Finance Manager presented the Audited Statement of Accounts to the Audit Committee. Following the report, and taking items 8 and 9 together, questions were asked as follows:

A Member asked the Audit Wales Auditor for an opinion about the Council's accounting for the school budget loan of £250,000. It was responded that the £250,000 mentioned in the report was not relating to school budgets, but to the accounting treatment of interest free loans. It was noted that the treatment followed was not strictly in line with the requirements of the CIPFA Code of Practice for local government accounts hence its inclusion in the report. It was further clarified that the amount referred to capital loans received from Welsh Government.

A Member queried a reference to a £3m special vehicle. It was explained that it was a special purpose vehicle (an accounting term not an automotive vehicle!). It referred, in this instance, to a financial arrangement that the Council has in relation to holding funds for CSC Foundry.

As stated in the recommendations, the final audited Monmouthshire County Council Statement of Accounts for 2019/20 (Appendix 1), were reviewed in conjunction with the Audit Wales ISA260 Audit of Accounts report, and were endorsed to full Council.

The Audit Wales Officer thanked the officers for preparing the accounts and assisting with the audit in difficult circumstances. There is a good working relationship between the authority and Audit Wales. The Chair also conveyed the gratitude of the Audit Committee to all concerned acknowledging that it is a significant and complex piece of work.

### **9. ISA260 Response to Accounts**

# MONMOUTHSHIRE COUNTY COUNCIL

## Minutes of the meeting of Audit Committee held at Remote Meeting on Thursday, 15th October, 2020 at 2.00 pm

Audit Wales Officers responsible for the audit of Monmouthshire County Council's accounts, presented the IAS 260 Response to Accounts. The staff involved in the audit, in both the Council and Audit Wales, were thanked for their work, especially in view of the challenges arising from the pandemic. An unqualified opinion was recorded.

### **10. Anti-Bribery Risk Assessment**

The Chief Officer, Resources provided a PowerPoint presentation on the Anti-Bribery Risk Assessment. The Chief Internal Auditor reported on the low level of fraud and the administration of the Welsh Government Business Support Grants in response to COVID 19. Following the presentation, questions were asked:

A Member asked for more information about the fraudulent payments made as a result of COVID 19. Additionally, in respect of cyber fraud, more information was requested on the number of payments and how they are uncovered. It was explained that sizeable amounts of funding, from a variety of grants had been administered by the authority to assist businesses with the effects of COVID 19. Lessons have been learnt from administering the Business Support Grants due mainly to the speed required by Welsh Government to distribute funds. Consequently, more robust arrangements have been put in place. It is likely that similar grants will be administered as the pandemic progresses.

The Chief Internal Auditor provided assurance that, from 1800+ applications, six cases of possible fraud were identified and reported to the Police and our bankers. As more applications were received a further four cases were identified; a total of ten fraudulent applications. £120,000 was stopped before leaving the organisation and of the £90,000 released, the bank and Police were involved and £45,000 was recovered. The Internal Audit Team conducts live checking against the National Fraud Database for individuals and limited companies and received notification of potential concerns. A retrospective check was also carried out and all 1800+ applications were run through counter fraud checks. The ten mentioned were the only ones identified. It was added that there was a limited amount of funding allocated for start-up grants of £2500 which were distributed on a 'first come first served' basis. If any applications were thought to be fraudulent, no funding was released. Documentary proof will be requested to support applications suspected of fraud.

Referring to the announcement of new grants, it was confirmed that there will be a risk element of fraud for any grant funding released. It was confirmed that any losses that occur are borne by Welsh Government not the authority.

As per the presentation objectives, the understanding of the Audit Committee around its responsibilities was refreshed and a brief background to the following elements was provided:

- The current Anti fraud, Bribery and Corruption policy
- Internal audit reviews and follow ups undertaken
- To provide further update to confirm action taken to address outstanding recommendations
- To provide the annual risk assessment of the arrangements in place around anti fraud, bribery and corruption
- To outline proposed next steps.

### **11. Internal Audit Outturn Report 2019/20**

The Chief Internal Auditor presented the annual Internal Audit Outturn Report 2019/20, prepared to provide assurance to the Audit Committee of the adequacy of the internal control environment, governance arrangements and risk management based on the internal audit work undertaken during the year, at the audit planning stage. The report provides an overview of

# MONMOUTHSHIRE COUNTY COUNCIL

## **Minutes of the meeting of Audit Committee held at Remote Meeting on Thursday, 15th October, 2020 at 2.00 pm**

assurance levels and team performance. Following presentation of the report, Committee Members were given the opportunity to ask questions.

A Member queried the medium risk assessment in respect of Tourism. It was responded that the medium risk was assessed at the beginning of the year. Audit work is undertaken to identify the strengths and weaknesses, the outcome of which defines the audit opinion. Within the area identified, there were more weaknesses than strengths leading to a limited opinion.

The Chair commented that the report identified a creditable performance by the team in the unprecedented circumstances of the year.

As recommended, the Audit Committee endorsed the Internal Audit Outturn Report 2019/20.

### **12. Internal Audit Plan 2020/21**

The Chief Internal Auditor presented the Internal Audit Plan for 2020/21. The plan was presented later than usual due to the impact of COVID 19. At the start of the year, it was not possible to undertake the plan as front line services were fully engaged in delivery of priority services to residents making it impossible to accommodate audit visits. Additionally, schools were closed and other services paused. The team was involved in extensive anti-fraud work associated with the Welsh Government Business Grants to protect public money. The priority-based plan became operational in a revised version from 1<sup>st</sup> October 2020. Questions from Committee Members were invited:

The Chair commented that the Internal Audit Team have made a significant contribution to other important work during the pandemic which has impacted on the usual level of audit work carried out over a year.

As recommended, the Audit Committee reviewed and approved the Internal Audit Plan for 2020/21.

### **13. Forward Work Planner**

The Forward Work Planner was noted.

### **14. To confirm minutes of the previous meeting held on 30th July 2020**

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

### **15. To confirm the date of the next meeting as Thursday 26th November 2020**

**Meeting ended at 4.00 pm**

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