

# Draft Minutes



## Audit Committee

---

Date: 29 January 2020

Time: 5.00 pm

Present: Mr J Baker (Chair) Councillors J Jordan, H Thomas, M Whitcutt, R White and P Hourahine

Meryl James (Governance Officer), Andrew Wathan (Chief Internal Auditor), Jan Furtek (Principal Auditor), Paul Flint (Performance and Research Business Partner), Tracy McKim (Partnership Policy & Involvement Manager), Owen James (Assistant Head of Finance - Technical and Development) and Dona Palmer (Audit Manager)

In Attendance:

Apologies: Councillors L Lacey and K Thomas

---

### 1 **Declarations of Interest**

None

### 2 **Minutes of the Last Meeting**

The minutes of the meeting held on 21 November 2019 were submitted.

The Chair stated that on Page 9 of the minutes under the paragraph Safety of Vehicles, Vehicle Safety Checks needed to be added.

#### Internal Audit

To inform Members of the Council's Audit Committee of the Internal Audit Section's progress against the 2019/20 agreed audit plan for the first 9 months of the year by providing information on audit opinions given to date and progress against key performance targets.

The team currently operates with an establishment of 8 audit staff. At the start of the year there were 7 audit staff in the team.

The ongoing deficit recovery plan plans were put forward and will be linked to the Chief Internal Auditor report. Chair asked if that figure would decrease by the end of March. Chair asked for a Finance update on Caerleon School at the next meeting.

#### Page 12 – note 8

Minutes with above amendments were approved.

### 3 **Internal Audit Plan Quarter 3**

To inform Members of the Council's Audit Committee of the Internal Audit Section's progress against the 2019/20 agreed audit plan for the first 9 months of the year by providing information on audit opinions given to date and progress against key performance targets.

The attached report identified that the Internal Audit Section was making good progress against the 2019/20 audit plan and internal performance indicators.

Performance of team and levels of opinions.  
Achieved 51% in line with target of 50%  
Final reports have been going out in two days  
Still one vacancy within the team.  
Costs were split between Newport and Monmouthshire 50/50

Members raised the following queries:-

- There are six in the team are you using an outside resource to help with workload?
- What areas needed to improve?
- How are the costs split between Newport and Monmouthshire?
- Can we cope with the workload with the numbers we have?

Agreed:

That the report be noted by the Committee.

#### **4 Treasury Management Report**

This report included both the Capital Strategy and Treasury Management Strategy for approval by the Council and (i) confirmed the capital programme, as part of the Capital Strategy and (ii) the various borrowing limits and other indicators as part of the Treasury Management Strategy. In addition, the report spelled out the increasing costs of funding the Council's external borrowing and the medium to long term affordability challenge of this. The revenue impact of both strategies were included within the Medium Term Financial Projection (MTFP) which were approved separately by Cabinet as part of the 2020/21 budget report.

Good progress was made in bringing forward some key schemes to date e.g. Transporter Bridge, Neighbourhood Hubs, City centre re-development, new schools. The current capital programme included some c£186m of already approved projects and c£16m of further capital headroom for further projects - £202m total of investment in the city, which delivered on key priorities.

##### **Summary of Recommendations**

The Capital Strategy and Treasury Management Strategy detailed further in this report outlined the current capital programme to 2024/25 (this was the original capital 5 year programme to 2022/23 which was extended by 2 years for projects whose completion spanned beyond the 5 years), links to treasury management decisions and a long-term view which highlighted the challenges facing the authority for future capital decisions.

##### **Treasure Management Borrowing Strategy**

The capacity for further internal borrowing reached capacity and would reduce over the medium to long term. In 2020/21 the Council was expected to undertake external borrowing both for the refinancing of maturing loans and to fund the existing capital programme; it would remain as much 'internally borrowed' as was possible and increase actual external borrowing only when needed to manage its cash requirements. However, the Council may, where it felt necessary to mitigate the risk of interest rate rose, undertaking borrowing early

to secure interest rates within agreed revenue budgets. This would be done in line with advice from our Treasury Advisors.

#### Commercial Activities

Section 6 of the capital strategy detailed the commercial activities of the Council, including the approval of a £50m investment fund for investments in commercial properties, which was built into the borrowing limits being set in this report. While currently this fund was not been utilised, the future use of the fund

Chair asked for more narrative when reading through the report.

Members raised the following queries:

- Has any money been spent
- When did it happen October 2019

The Committee commented that it was not clear why there was a requirement to review the investment fund when there was a 1% increase in the PWLB rates, and furthermore, how a relatively small increase would have such a large impact. It was therefore advised that this comment should be taken on board and reflected in the report to Cabinet.

#### Treasury Management Strategy

The Council is involved in two types of treasury activity:

\*Borrowing long-term for capital purposes and short term for temporary cash flow

\*Investment of surplus cash

This requires Council to agree affordable borrowing MTFP linked to that borrowing.

Borrowing strategy remains unchanged.

Investment strategy £10m required to sit with the Council

Agreed:

The Committee suggested that their comments on the Capital Strategy could be stronger, in that it did not put a defined figure on how much the borrowing should be reduced. The Committee therefore wanted this comment reflected in report to Cabinet.

## 5 **Corporate Risk Register Update (Quarter 2) & Risk Management Policy**

Policy & Partnership Manager presented an update of the Corporate Risk Register for the end of quarter 2.

At the end of quarter 2, the Corporate Risk Register has 12 risks, which are considered to have a significant impact on the achievement of the Council's objectives and warrant monitoring by the Council's senior management. The corporate risk register contained 9 high level risks (risk scores 15 to 25) and 3 medium risks (risk scores 5 to 14). There were no new risks identified, escalated from service areas or closed at the end of the quarter.

The role of Audit Committee is to review and monitor the corporate governance and risk management arrangements in place, with comments and recommendations of the Committee on risk process considered by Cabinet.

#### Risk Management Policy

The Policy & Partnership Manager PF stated that all comments made will be taken on board and the Policy will be updated before it goes before Cabinet. An annual review will also be carried out.

Chair asked for some examples of risk appetite for different areas.

The Policy & Partnership Manager to send the Committee an update paper on Brexit.

Members raised the following queries:

- What size matrix was used for this exercise.
- On page 116 it shows 3 or 4 persons responsible for the risk, shouldn't it be 1 person.
- What happens with Brexit.

## **6 Internal Audit Unsatisfactory Audit Opinions**

It was reported that numbers 16 and 17 haven't been followed up due to work with SRS.

The new outside catering contract has yet to be tested.

A Member stated he was confused by the Norse report. It was reported that Management has put this on hold until the report is finalised and is planned for the next financial year.

Members raised the following queries:

- Norse report is confusing?
- Trips and visits are unsatisfactory, it cannot keep stating unsatisfactory a new method statement needs to be written?

The meeting terminated at Time Not Specified