

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held
at County Hall, The Rhadyr, Usk, NP15 1GA and remote attendance on Thursday, 8th
September, 2022 at 2.00 pm

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

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

Lay Members: Martin Veale

OFFICERS IN ATTENDANCE:

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| Andrew Wathan | Chief Internal Auditor |
| Peter Davies | Deputy Chief Executive and Chief Officer, Resources |
| Wendy Barnard | Democratic Services Officer |
| Richard Jones | Performance Manager |
| Jonathan Davies | Acting Assistant Head of Finance |
| Rachel Freitag | Audit Wales Officer |
| Colin Davies | Performance Audit Manager for Monmouthshire |

APOLOGIES:

C. Prosser

1. County Councillor R. Greenland

The Chair referred to the recent passing of County Councillor R. Greenland, Member of the Governance and Audit Committee. He called upon County Councillor P. Murphy to remember Councillor Greenland's significant contribution to the work of the authority as a long-standing County Councillor. Expressing sadness and condolences, he said he would be "a great loss to the Council". A period of silence was observed in memory of County Councillor R. Greenland.

2. Declarations of Interest

No declarations of interest were made.

3. Public Open Forum

No members of the public were present.

4. To note the Action List from the previous meeting

The Action List from the previous meeting was noted. Updates were provided as follows:

- **Annual Governance Statement** The Chief Internal Auditor provided an update that the comments of the Governance and Audit Committee had been considered and the Annual Governance Statement amended accordingly. The Annual Governance Statement has been added to the Statement of Accounts for 2021/22.

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Action Status: Closed.

- **Key Collaborations:** The Performance Manager reported that a review of key collaborations and partnerships is in hand. The Strategic Leadership Team (SLT) is leading the review. The Deputy Chief Executive and Section 151 Officer noted the significant numbers of collaborative and partnership arrangements; these will be listed with an explanation. The list will be presented at a future meeting.

Action Status: Open.

- **Cross referencing reports with the Terms of Reference:** The Chief Internal Auditor advised that this work is in progress and will be reported upon in due course.

Action Status: Open.

- **Treasury Outturn Report:** The Acting Head of Finance reported:

1. Breakdown of asset values changes of non-treasury investments (Oak Grove Solar Farm, Castlegate Business Park and Newport Leisure Park): The information was mailed to Governance and Audit Committee Members.

Due to ongoing discussions, it was agreed that items 2/3 below will be revisited by the Committee when Treasury Strategy is reviewed later this year.

2. More information on ethical investment
3. Consider inclusion of climate emergency declaration when Treasury Strategy is reviewed.

Action Status: Closed

- **Internal Audit Outturn Report:** The Chief Internal Auditor confirmed that the Managers concerned were unavailable for today's meeting and have been invited to the next meeting.

Action Status: Open

- **Draft Self-Assessment Report:** The Performance Manager reported that the requested information was circulated to Members following the last meeting.

Action Status: Closed

- **Forward Work Plan:** The Chief Internal Auditor reported that work is in train to ensure that reports presented to Committee are reconciled with the Committee's Terms of Reference.

Action Status: Open

Following responses from Officers as above, questions were invited from Members:

- A Member welcomed provision of an Action List and requested more detail, date when the requested information is due and if recommended to close/continue the action. The Chair requested that the Action List is reformatted.

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Action Status: Open

- A Member noted that for Item 9 - Provision of Fraud figures (not percentages) – the information was not provided. The Chief Internal Auditor will provide the figures by the next meeting.

Action Status: Open

5. Her Majesty, Queen Elizabeth II

In view of the statement issued by Buckingham Palace that the Queen's doctors are concerned for Her Majesty's health, the Chair conveyed the thoughts of Committee Members for Her Majesty The Queen and her family at this time.

6. 2021/22 MCC Statement of Accounts

The Acting Assistant Head of Finance introduced the 2021/22 draft Statement of Accounts. Following presentation of the report, Members were invited to ask questions:

- A Member commented on the thoroughness of the report, especially in the aftermath of Covid, and congratulated the Team on the document. Noting the strengthened position of the balance sheet, it was queried if any major effect is anticipated on the current year's accounts due to Pension Scheme movements. The Assistant Head of Finance agreed these can cause a large change on the balance sheet. Future pension fund liability has decreased by £47.5 million because of a decrease in the estimated future scheme liabilities and recovery in scheme assets primarily as a result of the year-on-year impact of Covid. The fund is for the long-term funding of pensions and annual variations can skew balance sheet figures. However, any such liability will not arise in one single year. This is being addressed through higher employee/employer contributions to the fund. The Triennial valuation exercise has recently shown that projections for employer contributions within our medium-term financial plan are in line with the most recent triannual exercise.
- A Member noted a big increase in reserves allocated to schools and questioned how quickly the reserves will be drawn on by Schools. The Acting Assistant Head of Finance confirmed that the authority is working closely with schools to ensure effective use of balances. No deadlines are set as Headteachers are best placed to decide on effective investment to improve learning standards and schools have different paces of recovery. Answering points raised, it was explained that the schools reserves are not earmarked for recurrent expenditure; the fairer funding agreement with schools covers capital expenditure. The expectancy is balances will be reduced over the next 2/3 years whilst accepting that some schools are ahead of others in recovering standards.
- In response to questions, it was agreed that consideration would be given to amending the final version of the Statement of Accounts to reference significant occurrences nationally and globally and to better reference abbreviations. The Audit Wales work is progressing well with no major issues identified. The Audit Wales Officer explained some resourcing issues, but no significant slippage is expected.
- The Acting Assistant Head of Finance confirmed Welsh Government guidelines that schools should hold maximum balances of £50,000 (Primary) and £100,000 (Secondary).

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- Referring to Oak Grove Solar Farm, Castlegate Business Park and Newport Leisure Park, a Member queried if costs (such as repayment of loans) should be recorded against net income. It was explained that these reserves are sinking funds for unexpected pressures such as tenancy voids in Newport Leisure Park, and maintenance at the Solar Farm. Balances represent what's available at the end of March 2022.
- The Assistant Head of Finance explained that the value of Heritage Property represents an existing use value. Museum exhibits and Nelson Collection were revalued this year. These values will be published in the Statement of Accounts for next year.
- Considering the grant of £400,000 for 20mph speed limit scheme and funds availability for scheme reversal, the Deputy Chief Executive will discuss with Welsh Government if unspent funds are rolled forward or returned.
- On behalf of the Committee, the Chair thanked the Finance Team for their significant work in compiling the accounts.
- The Chair enquired about capabilities and capacities in the team and asked for an indication of the level of key person dependency, succession planning, people related risks and status of operational controls. The Assistant Head of Finance confirmed there are vacancies. The wellbeing of existing staff is a key theme. Common to the Finance sector generally, there are recruitment difficulties. The team is experienced with a good knowledge base to allow flexibility. Succession planning is a key consideration when recruiting. The Deputy Chief Executive confirmed that the senior role will be appointed imminently. He thanked the Finance Team for their extraordinary efforts whilst under-resourced.
- Clarification was provided regarding the banding of officer remuneration table. The left-hand column shows total employees in each pay band and the right-hand column shows the number that are teaching staff. It was confirmed that a salary is for the Executive Headteacher of two schools; one located in Torfaen. A proportion of the salary will be recouped from Torfaen County Borough Council.
- It was confirmed that there will be no material events after the balance sheet date.

As recommended, the Governance & Audit Committee:

- noted the 2021/22 draft Statement of Accounts and highlighted any queries and comments.
- noted that following the completion of the external audit process, the audited Statement of accounts for 2021/22 will be presented to this Committee at a later meeting.

7. Quarterly update and timetable

Audit Wales Officers introduced the report. Following presentation of the report, questions from Members were invited:

- A Member noted that the information in the paper related to June 2022. The Audit Wales Officer explained that the paper wasn't ready to be presented at the meeting in July due to resourcing pressures; the September update is on schedule.
- Regarding the performance audit, the Performance Manager confirmed that 6 monthly reports are provided to show how the council responds to completed audit reports, and the issues raised therein.

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- In response to a question, it was confirmed that the assurance and risk assessment report is in draft. This item will be added to the Forward Work Plan for the Committee to review.

8. Internal Audit Progress Report Q1

The Chief Internal Auditor presented the Internal Audit Progress Report (Q1). The purpose of the report is to consider the adequacy of the internal control environment within the Council based on the outcomes of audit reviews and subsequent opinions issued to the 30th June 2022, and to consider the performance of the Internal Audit Section over the first 3 months of the current financial year.

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

- A Member noted the report is dated 30th June and queried if there are any updates. The Chief Internal Auditor explained that meetings are set in the Council Diary and every effort is made to report on a timely basis. Quarterly reports provide assurance, also 6 monthly reports on unfavourable audit opinions and implementation of audit recommendations. There is a process of completing the audit work, a robust review process, issuing a draft report to the service manager, discussing the draft report with the service manager prior to the opportunity to discuss with the Governance and Audit Committee. The Member suggested that meetings could be better scheduled for future years close to quarter ends.
- The Chief Internal Auditor confirmed that the two vacancies are advertised currently to be filled in December; help from external providers to be sought in the meantime. The seconded post has been filled. The Chair of behalf of the Committee expressed disappointment that the vacancies had not been filled by September and reiterated his support for buying in contract resource to deliver the annual audit plan fully in accordance with expectations.

9. Audit Wales: Springing Forward and Council's Management Response

Audit Wales Officers presented the Springing Forward Report. Members were invited to ask questions and comment:

- In response to a question, the Committee was informed that this was a high-level review. The Council exhibits innovative use of data to understand its workforce, taking strides to get appropriate data to learn from and be informed by. The Council compares as well as any other council under review and better than some.
- As this was a high-level review detailed information on all aspects of the workforce was not part of this report. The focus of the review is to see how the Council is learning the lessons of the pandemic and planning appropriately for future adaptations or transformation of service delivery. Detailed information can be provided by officers.
- Referring to the development of the people strategy and asset strategy, a Member asked which Committee would have the opportunity to scrutinise. The Chair noted that the Governance and Audit Committee has responsibility to see how these strategies develop, are governed and their performance tracked. He will discuss scrutiny arrangements with officers.

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The Performance Manager presented the Management response to the Springing Forward Report. Committee Members were given the opportunity to ask questions:

- A Member queried the completion date of July 2023 for all recommendations. The Performance Manager explained that the date relates to the completion date of the Corporate and Community Plan after appropriate consultation and engagement. The asset strategy and people strategy will take direction from the new plan. In between, there will be other arrangements to manage assets and workforce.
- The Chair will discuss the feasibility of determining interim key milestones and reporting progress against them with officers. The Chair to provide an update at the next meeting.
- A Member asked when the finalised version of the Corporate and Community Plan is due. Consultation and engagement are due imminently. An update on a completion date will be sought.

As per the report recommendations:

the committee reviewed the Audit Wales Springing Forward report and sought assurance of the adequacy of the Council's Management response.

The committee had the opportunity to refer on any issues contained within Audit Wales report to other committees for consideration if they identify there are findings of relevance.

10. Whole Authority Strategic Risk Assessment

The Performance Manager presented the Whole Authority Strategic Risk Assessment. Following discussion with the Chair and officers, it was decided not to consider the effectiveness of the authority's risk management arrangements. This will be a separate paper to a future meeting. The Committee instead was requested to check if the contents of the strategic risk register accords with our understanding of the key risks facing the Authority.

The Chair considered the risk register held lots of useful information for officers as a working document. A preferred format has been suggested for reporting back in future to include:

1. key risks facing the organisation;
2. what actions are being taken;
3. what actions have been taken over the preceding period;
4. who is accountable;
5. actions completed and not completed (and why); and
6. key performance indicators.

Questions from Committee Members were invited:

- A Member commented that this has always been a living document and the status of risks changes. There will be severe financial constraints over the next period, and it would be useful to have a process to flag up when things are going wrong at the time they are going wrong.

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- The Chair queried the authority's approach to "horizon scanning" particularly how risks are identified and captured within the risk register and thereafter mitigated. A separate paper was requested in due course.
- Referring to the example of rapidly moving energy prices, a Member asked how new risks, that place demand on services in a more rapidly changing environment, are being built in. It was queried if such risks are identified at a senior level as potentially affecting all operations and if so, is a risk assessment devised and an action plan and mitigation put in place. It was queried if it is sufficient to allow this information to flow up from service departments. It was accepted that arrangements are in place to escalate risks to a strategic level when they happen quickly and need to be dealt with. Emergency responses are set up straight away at a senior level to respond e.g. Covid. Service areas also have their own arrangements
- Considering the thirteen risks identified, a Member was concerned that risks to service delivery and other strategic risks are missing. The example of climate shocks was provided. The Performance Manager advised that the risk environment is dynamic with strategic risk management and reporting arrangements being just one part. Services are responsible for managing and mitigating their own risks using the arrangements they have in place. More live issues are managed day to day with plans adjusted as necessary. Escalating risks notified via the service plan inform the strategic risk management plan and where risks are fast-moving, they may be added to the strategic risk register. Climate shocks are covered under risk 11 (policy to decarbonise operations). Mitigating actions include how we deliver our climate emergency strategy. There are connections between different risks that cause impact on other service areas. The Member queried the point that climate shocks affecting service delivery are covered under risk 11 and added that Climate shocks should be an additional 14th risk noting they cover all of the Council's operations. It was accepted that the headline risk is about the policy commitment to decarbonisation but also included within the same risk is resilience to climate shocks.
- The Chair asked how the risk register is populated; how risks are captured and if there are opportunities to improve its effectiveness. It was explained that the risk register is a construct of a range of information and evidence. Service plans identify strategic and operational risks, these are updated on a regular basis and provide information on the main risks to the organisation. The information is assessed against the current risk register to identify changes and new risks and is reported to SLT to identify strategic risks facing the organisation in a continuous cycle.
- A Member suggested it was optimistic to consider that Risk 13 will reduce to a medium risk by 2025. It was explained that some risks are longer term strategic challenges. Risk is assessed to decrease based on the progress and impact of mitigating action such as the work being undertaken to address homelessness, delivery of the housing support programme partnership and delivery of the rural local development plan. The risk level will be assessed considering the ongoing evidence (such as the Ukrainian crisis) and progress of the mitigating actions and reviewed accordingly. This comment will be conveyed to the risk owner.
- A Member commented on unmitigated high risks and three years later with mitigation still being high risk. A table in the report that flags risks increasing/decreasing, new, changed or removed risks was suggested with priority defined by SLT. The Performance Manager explained that the strategic risk register reflects the range of matters strategically important for the Council, and arrangements for their assessment and management. Strategic risks are complex, and the council can, via its mitigating action, have an impact. How the impact materialises and pace at

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which the risk is mitigated to a satisfactory level may take longer than three years. Other external risk factors can impact outside the Councils control. Overall, the Council aims for mitigating actions to be strong enough to reduce the risk over time.

- Committee Members were signposted to The Hub where service plans can be viewed. [Service Business Plans 2021-2024](#)

The Chair noted the absence of climate shock risks and the cost of living risk. It was noted that the authority faces a period of huge uncertainty from many sources. The Chair considered the risk register does not fully reflect the significance of the risks facing the authority and the adequacy of actions and priorities are unclear. In terms of horizon scanning, it was suggested a top down process with officer and councillors in a workshop to collect high level views to allow better articulation of the risks facing the authority. Further work is needed to assure the Committee on risk management arrangements and their effectiveness.

Referring to the report recommendations, the Committee:

1. Used the risk assessment to consider the effectiveness of the authority's risk management arrangements and the extent to which the strategic risks facing the authority are appropriately captured.
2. will scrutinise, on an on-going basis, the risk assessment and responsibility holders to ensure that risk is being appropriately managed.

11. Governance and Audit Committee Forward Work Plan

The following changes were made:

13 October 2022: should read - Invitation of officers and Heads of Service (not S151 Officer) regarding limited opinions

24 November 2022: Q2 Progress Report should read on 2022/23 (not 2021/22)

24 November 2022 – Treasury Outturn Report – This will be a 6-month update to the Committee on 2022/23 performance.

12. To confirm the minutes of the previous meeting held on 14th July 2022

The minutes were confirmed as an accurate record of the previous meeting subject to the removal of the reference to Lay Members listed as County Councillors.

Arising from the minutes, the Chief Internal Auditor confirmed that he is working on a recruitment process to appoint the fourth Lay Member.

13. To confirm the date of the next meeting as 13th October 2022 at 2.00pm

Meeting ended at 4.13 pm

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