

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 14th July, 2022 at 2.00 pm

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

County Councillor: A. Blackmore, C. Prosser, M. Veale,
Ian Chandler, John Crook, Tony Easson, Malcolm Lane,
Phil Murphy, Peter Strong and Laura Wright

Lay Members: Martin Veale and Colin Prosser

OFFICERS IN ATTENDANCE:

Nicola Perry	Senior Democracy Officer
Matt Phillips	Chief Officer People and Governance and Monitoring Officer
Andrew Wathan	Chief Internal Auditor
Peter Davies	Deputy Chief Executive and Chief Officer, Resources
Charlotte Owen	Audit Wales Officer
Emma Davies	Performance Officer
Richard Jones	Performance Manager
Jonathan Davies	Acting Assistant Head of Finance
Rachel Freitag	Audit Wales Officer
Colin Davies	Performance Audit Manager for Monmouthshire
Kathryn Evans	Data Protection and Information Governance Manager

APOLOGIES:

County Councillor Bob Greenland

1. Declarations of Interest

None.

2. Public Open Forum

None.

3. To confirm minutes of the previous meeting

The minutes of the meeting of Governance and Audit Committee held on 20th June 2022 were approved.

4. Action List 20th June 2022

The Action List from the meeting held on 20th June 2022 was noted:

- 1) Letter of Thanks: The letter to the outgoing Chair of the Governance and Audit Committee, Philip White, to be signed by the Chair of Monmouthshire County Council and the Chair of the Governance and Audit Committee. Action closed.

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 14th July, 2022 at 2.00 pm

- 2) Annual Governance Statement: The Chief Internal Auditor reported that the comments made at the last meeting had been taken into account and the document amended accordingly for inclusion in the statement of accounts. The action was carried forward to the next meeting when the Committee will see the final version with the statement of accounts.
- 3) Annual Audit Plan: The Audit Wales Officer sent an e mail (24th June) to Committee Members providing information on key performance indicators. Action closed.
- 4) Unfavourable Audit Opinions Progress: The further information requested on Limited Opinion reports is included with the agenda papers. Action closed.
- 5) Internal Audit Plan: The Chief Internal Auditor:
 - i. Updated that work is in progress to compile a list of key collaborations and associated governance arrangements. This information will be provided to Governance and Audit Committee in due course. Action carried forward.
 - ii. Explained that he is obligated to comply with the Public Sector Internal Audit Standards (PSIAS) that involve external review and assessment every five years; next due in 2023. Governance and Audit Committee will be provided with an annual report on compliance in due course. Action closed
- 6) Forward Work Programme: The Deputy Chief Executive provided an update that the terms of reference and supporting guidance (Local Government and Elections Act 2021) relevant to Governance and Audit Committees would be presented to the Committee at the next meeting to prepare to include cross reference to forward work programme items in future. Action carried forward.

5. 2021/2022 MCC Statement of Accounts

The Acting Assistant Head of Finance verbally updated that it has not been possible to present the draft accounts to this meeting as normal. The Committee was reminded that it is a significant piece of work to compile the different elements. This year delays and uncertainties have occurred due to e.g. CIPFA code and asset valuations as raised by Audit Wales. Additionally, it has been necessary to prioritise Finance resources to deliver outturn reports. The Authority and Audit Wales have agreed that draft accounts will be submitted at the end of July. It is intended to present the draft accounts to the September meeting of the Governance and Audit Committee. Other authorities are experiencing similar pressures. Following the update, Member were invited to ask questions:

1. The Chair asked about the approach to asset valuation and was informed of some uncertainties. The Acting Assistant Head of Finance explained that Audit Wales had questioned the robustness of valuations in view of the pandemic. An indexation approach was suggested initially and following concerns discussions continue between CIPFA and Audit Wales. The intention is to compile the draft accounts without valuation of all council's assets. The Acting Assistant Head of Finance confirmed there is a five-year rolling programme of 20% of assets being valued annually, the remaining 80% carried at their old value. It was confirmed that draft accounts are published according to legal requirements. Once agreement is reached, the remaining valuations will be added during the audit process in the Autumn.
2. In response to a question, the Audit Wales Officer confirmed there will be no material concern arising from the two-week slippage in submitting the draft accounts.
3. Replying to a question, it was considered too early to speculate on the impact of the pandemic on changes to valuations. The Audit Wales Officer commented that valuations in another public sector area had risen by 7%.

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 14th July, 2022 at 2.00 pm

6. 2022/23 Treasury Outturn Report

The Acting Assistant Head of Finance presented the 2021/22 Treasury Outturn Report noting that the role of the Committee is to consider whether the Treasury decisions and activities undertaken during the year appeared reasonable and aligned to the treasury strategy and prudential indicators. Following presentation of the report, questions and comments were invited.

1. A Member requested further information of long-term and pooled fund investments. The Acting Assistant Head of Finance explained that pooled fund investments have been held for 3 - 4 years; under the Markets in Financial Instruments Directive (MiFID) regulations we are required to keep a minimum of £10m investment balances to qualify for professional investor status. This allows access to more investment instruments. Long Term in terms of pooled funds could refer to 5-6 years with capital values static and returns being generated. The returns on pooled funds are satisfactory and they offer a balance with the rest of the investment portfolio. It is intended to retain the pooled funds in the medium term.
2. A Member queried the effect of the pandemic on treasury activities, the refund for a proportion of the impact from the Welsh Government and if further problems are predicted in view of rising cases of Covid in Wales. It was responded that there has been a significant amount of grant support from Welsh Government which has increased our investments until the money has been expended, provided funds to invest on behalf of Welsh Government plus funds to reimburse additional costs and income loss arising from the pandemic. There has been little impact on treasury activity overall.
3. The Member asked if ear-marked reserves would be increased, and if needed, how they would be impacted in the future. It was responded that the treasury position is not defined on any one outcome. When designing the year's cashflow, investment and borrowing, expected expenditure and income is taken into consideration and further investment in reserves would be considered at that time. It is also possible to borrow funds if ear marked reserves become depleted.
4. A Member queried the decision-making process for non-treasury investments and was informed that these are capital expenditure investments up to £50m as approved by County Council. An Investment Committee oversees such investments. In future, changes to Public Works Loan Board (PWLB) legislation will mean that investment for financial gain or that are not for economic or local regeneration schemes, may prevent access to PWLB borrowing. Therefore, future non-treasury investments will have an economic or local regeneration approach; decided upon by the Investment Committee. Performance of these assets are regularly reported into the Investments Committee. There is a budgeted income within the revenue budget and performance is monitored as part of that process.
5. A Member requested a breakdown in the changes to asset values of three investments and queried if an investment policy exists, if so, is it managed in line with the Council's declaration of a climate emergency and if there are any ethical considerations on short / long term investments. In response, a breakdown of change in value of individual investments will be provided following the meeting. The Treasury Strategy set in March 2021 outlines investment policy and the limits set therein. In terms of ethical approach, some data can be provided to Committee by Treasury advisers Arlingclose. Ethical investment is not explicitly included in the treasury strategy to date, but assurances have

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 14th July, 2022 at 2.00 pm

been provided that no investments have been made e.g. with companies or organisations linked to Russia. Further information will be sought. It was confirmed that the climate emergency declaration was not included in the Treasury Strategy but can be considered when the treasury strategy is reviewed by the Governance and Audit Committee in January and presented for approval by Council in March.

The Deputy Chief Executive commented that an annual report on performance of commercial investments will be presented to the Governance and Audit Committee in September 2022.

6. In response to questions, the Acting Assistant Head of Finance confirmed that:
 - a) treasury management activities during the year were compliant with the Treasury Strategy and relevant CIPFA code requirements.
 - b) Distinguishing between the roles and responsibilities of the Finance team and treasury advisers Arlingclose, it was confirmed that Arlingclose provides the authority with advice, but decisions are solely the responsibility of the authority; and
 - c) Arlingclose provides significant amounts of technical data on the external financial market and status of financial organisations and advise on wider access to borrowing instruments. Arlingclose was reappointed in March 2022 for four years minimum.

As recommended in the report, the Governance & Audit committee reviewed the results of treasury management activities and the performance achieved in 2021/22 as part of their delegated responsibility to provide scrutiny of treasury policy, strategy and activity on behalf of Council and was content with its review with no material exceptions arising.

7. 2021/22 Draft Welsh Church Fund/Monmouthshire Farm School Endowment Trust Statement Of Accounts

The Acting Assistant Head of Finance presented the draft statements of accounts for the Welsh Church Fund (externally audited) , Monmouthshire Farm School Endowment Trust (externally audited) and Llanelly Hill Social Welfare Centre Trust Fund. Following the report, comments and questions were invited:

1. It was questioned why Audit Wales undertakes the audit of the Welsh Church Fund and the Monmouthshire Farm School Endowment Trust and responded that Audit Wales has carried out this service for several years. The Welsh Church Fund Committee has previously asked that the arrangement was reviewed for value for money and Audit Wales' fees were the most competitive at that time. The fee for inspection of Monmouthshire Farm School Endowment Trust accounts is comparatively small.

Martin Veale declare a non-prejudicial interest as a Governor of Coleg Gwent.

2. A Member queried if there are ethical components in the investment policy for the Welsh Church Fund, recommending that they should be featured in the accounts policy if so. If not, it was queried if an ethical investment policy could be developed. It was responded that most of the funds are in a long-term pooled fund with external fund providers, the remainder within Monmouthshire's internal investments. The strategy was approved by Council in March 2021. In terms of wider ethical considerations, the strategy is drawn up with advice from the Welsh Church Fund Committee and officers. The Trust also holds land. The aspiration of the fund is to maximise returns so that grant distributions can be maximised. Following discussion, it was agreed that the Member would raise a motion with Council on the inclusion of ethical components.

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 14th July, 2022 at 2.00 pm

The draft statements of account were noted and as recommended in the report the Governance & Audit Committee reviewed the 2021/22 draft Statement of Accounts for the above bodies and provided a few comments which will be considered alongside the external audit process and prior to the final publication.

8. 2022 Audit Plan - The Monmouthshire County Council Welsh Church Act Fund

The Audit Wales officer introduced the 2022 Audit Plan for the Welsh Church Act Fund. Following presentation of the report, comments and questions were invited.

1. The Chair commented that the work plan referred to the Welsh Church Act Fund and queried arrangements for the Monmouthshire Farm School Endowment Trust. It was explained that the Monmouthshire Farm School Endowment Trust involves a smaller examination of the accounts and does not require a work plan.

9. Internal Audit Outturn Report 2021/22

The Chief Internal Auditor introduced the Internal Audit Outturn Report 2021/22. Following presentation of the report, comments and questions were invited.

1. A Member referred to the two Limited opinions in respect of Concessionary Travel and Fleet (Health & Safety / Driver Management) and suggested inviting the responsible officers to attend the Committee to better understand the pressures and circumstances. This was agreed plus it was requested that at the meeting the S151 Officer be required to set out his view on the robustness of the control environment in this area and level of residual risk associated with not accepting the audit recommendations.
2. A Member questioned the overall "Reasonable" opinion suggesting that the numbers point to "Considerable" as the organisation is better than 3rd out of the four possible opinions backed by the self-assessment process. The Annual Governance Statement would have to show considerable gaps in the control environment to justify this status. The Chief Internal Auditor explained that the opinion was an average of the opinions issued based on work undertaken. Evidence, strengths and weaknesses identified and expected controls. Audits are conducted on a cyclical basis and can't consider all the risks due to lack of resources. The Annual Governance Statement and the Self-Assessment document are broader and will reflect the opinions during the year. These will be reported to Governance and Audit Committee later in the year.
3. It was queried if there is an opportunity for managers' views to be considered when an opinion of limited assurance is given especially in contentious areas. It was explained that, where there are Limited opinions, service managers are responsible for writing a management response. Managers' concerns are covered in wrap up meetings and Internal Audit take on board any additional information provided. Overall, if there is evidence to support that a control is not in place, Internal Audit's opinion will stand, and action will be taken.
4. A Member asked about the clearance process suggesting that a member of Senior Leadership Team signs off an audit. The Chief Internal Auditor explained that whilst there is no official signing off process, the draft report is discussed with the service manager. If there is contention, it is discussed with the Head of Service who is issued with the final report. Where a manager is deflecting responsibility, it is raised with Head

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 14th July, 2022 at 2.00 pm

of Service and Deputy Chief Executive to move the situation forward thus the organisation takes responsibility and action is taken.

5. A Member questioned fraud investigation and requested figures not percentages. The Chief Internal Auditor identified that the query related to Covid related business grants during the pandemic; Internal Audit were involved in assessment and fraud review. Figures will be provided. It was explained that no benchmarking is available.
6. A Member questioned if the grant work was a significant reason for the number of audits not achieved asking if lessons have been learned. The Chief Internal Auditor explained that a key message from Welsh Government and Monmouthshire County Council was to pay out grants to support local businesses as soon as possible. Internal Audit's role was to assess the applications and where fraud was identified, a referral was made to the Police. Our bank was contacted to recover some of the money. It was a UK wide issue. Lessons were learnt as the team was involved at an early stage, so the systems weren't in place immediately. The team did a very good job, robustly challenging the applications and insisting that the appropriate evidence was provided before the grant was paid out. Some instances of fraud were detected accordingly.
7. The Chair noted some vacancies in the Internal Audit Team and asked for an update. It was explained that there are two significant vacancies to be advertised shortly with a view to interview and appoint by September. If under-resourcing continues external/internal assistance will be requested. The Governance and Audit Committee will be kept updated. Support from the Committee was offered as necessary.

As per the report recommendations, the Governance and Audit Committee received, commented on, and endorsed the Annual Report

10. Governance & Audit Committee Annual Report 2021/22

The Chief Internal Auditor introduced the Governance and Audit Committee Annual Report 2021/22; jointly authored with Philip White, Former Chair of the Governance and Audit Committee. Following presentation of the report, comments and questions were invited particularly from Members who sat on the previous Committee.

(County Councillor Laura Wright left the meeting at 15:50 pm)

A Member commented that it is a balanced report adding that the Committee was well-chaired, and the Chair was committed, dealt with Members questions and followed matters up appropriately. Members of the previous committee supported these comments.

As recommended in the report, the Governance and Audit Committee endorsed the report and recommended its presentation to Council, and that Council accepts and endorses the report.

11. Draft self assessment report 2021/22

The Performance Manager and Performance Officer presented the draft self-assessment report for 2021/22. Following presentation of the report, comments and questions were invited.

1. Members commented that it will take time to develop a robust and balanced self-assessment. It was responded that there will be further work to promote a balanced

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 14th July, 2022 at 2.00 pm

approach such as including supporting evidence of positive outcomes for communities, identifying areas for development and promoting a culture that ensures service areas are challenging themselves and providing evidence in the self-assessment process.

2. A Member asked how areas for improvement will be tracked and if there would be an action plan. The Member also asked about the range and suitability of performance indicators. It was responded that output from the self-assessment process will be used to inform the specifics of the corporate plan which will necessarily include a set of actions and associated performance indicators. The process of challenge has generated a lot of evidence that is fed back to Directorate Management Teams and Service Managers for use in their own service area planning. Performance indicators are important to provide part of the evidence in a range of sources of evidence.
3. A Member queried the process for self-assessment and asked to what extent we are seeking the views of individual service area users and non-users to gain residents' views of the service. It was explained that feedback from residents, external organisations and partners has been sought e.g. service user questionnaire for social care service users. Work is ongoing on how to increase and broaden engagement with communities, service users and residents for forward planning and evaluation of existing services, also to ask non-users why they don't use the service.
4. A Member questioned how waste recycling, reused or composted had exceeded its target whilst the tonnage of waste had increased by over 3000 tonnes. It was explained that the target is set by Welsh Government and further information can be sought. It was suggested that the increase was in part due to the introduction of a booking system for the household waste recycling centres (HWRC) which encouraged less waste to the HWRCs, but more kerbside waste collected and more recycling.
5. The rise in absence rate from 10% – 14.4 % was queried. It was responded that there are recruitment challenges, and a range of data and evidence is used to manage the workforce planning which will be utilised to understand this increase. It was also confirmed that the authority works in collaboration with Cardiff City Council's award-winning procurement service to strengthen procurement.

(County Councillor Tony Easson left at 16:22pm)

A Member welcomed the easy to read language used in the document.

As per the recommendations in the report, the Governance and Audit Committee reviewed the draft self-assessment report 2021/22 and was broadly comfortable with its findings and conclusions and recommended its consideration by Council.

12. Governance and Audit Committee Forward Workplan

The Chair invited Members to suggest items for inclusion in the forward work plan.

- 1) It was agreed to add a review of the Committee's terms of reference aligned to the plan; the Chair to liaise with the Chief Internal Auditor on a report.
- 2) Invitation of Officers regarding Limited Opinions to be added to the plan for September.

13. Date of next meeting - 8th September 2022

Meeting ended at 4.30 pm

MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of Governance and Audit Committee held
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 14th July, 2022 at 2.00 pm**