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## MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held  
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 13th February, 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  
and V. Smith

### OFFICERS IN ATTENDANCE:

Andrew Wathan	Chief Internal Auditor
Peter Davies	Chief Officer, Resources
Gareth Lucey	Wales Audit Officer
Emma Davies	Performance Officer
Jonathan Davies	Central Accountancy Finance Manager
Lesley Russell	Accountant
Matthew Gatehouse	Head of Policy and Governance

### APOLOGIES:

County Councillors P. Clarke and J. Watkins

#### 1. Declarations of Interest

No declarations of interest were made.

#### 2. Public Open Forum

No Members of the public were present.

#### 3. To note the Action List from the previous meeting

Performance Management: An interim report was circulated to Audit Committee Members on 10<sup>th</sup> January 2020. A full report will be available in May/June.

Self-Evaluation Questionnaire: Committee Members were reminded to complete and return their questionnaires. The Chair encouraged all Members to complete this important questionnaire. Councillor Smith requested a hard copy.

Forward Work Plan: This has been updated and is an agenda item.

Unfavourable Audit Opinions – Agency Work: The Committee had been concerned that managers were not reacting positively to Internal Audit recommendations arising from unfavourable opinions. The Chief Internal Auditor reported the majority of responses have been received, with just a small number outstanding. When all are received it will be possible to finalise the report including an action plan and management response. This will be circulated to Committee Members outside the meeting and will be an agenda item for a future meeting. If Members are not happy with the responses received, the Committee was reminded that

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relevant managers can be asked to attend a meeting of the Audit Committee to be held to account.

Fuel Cards: The Head Of Commercial and Integrated Landlord Services and the Fleet Manager have agreed to attend the next meeting. It has been requested that the Head of Service Strategic Projects (Fixed Term) also attends as the former Head of Service in post at the time of the concerns.

### **4. Internal Audit Progress Report - quarter 3**

The Chief Internal Auditor presented the Internal Audit Progress Report (Q3). Following presentation of the report, questions were invited:

- A Committee Member, regarding the Passenger Transport Unit (PTU), asked for more information on the "High" risk rating. It was explained that knowledge of the service, known issues are considered etc. to determine the risk rating which is then added to the Audit Plan. It was explained that risk assessment is part of the planning process and the opinion is a result of the audit process. Issues identified in the audit where weaknesses outweigh strengths result in a limited opinion being given. Specific and general advice is given by Internal Audit to ensure sound financial management.
- A Member asked what instigates a special investigation and was informed that these issues come to attention in a range of ways such as part of routine audit work, from senior management or anonymously. Internal Audit can become involved in disciplinary processes. The number and frequency of cases vary each year; over which there is no control. An overview of types of investigations over a two year period will be provided at the next meeting.
- In response to a question, it was explained that final reports go to the Head of Service. A follow up audit takes place in 6-12 months to look for signs of improvement. If there is no significant improvement, the matter is returned to Audit Committee via the 6 monthly report with reasons for no improvement after a second audit. The Committee has the option to call in respective service managers.
- In response to a question, it was explained that the PTU appeared not to show signs of improvement by regularly appearing on the list of unfavourable opinions. It was explained that the opinions relate to audits of different aspects. Generally opinions are in respect of non-compliance with contract procedure rules.

The Chief Officer, Resources explained that a comprehensive, overarching study of the PTU is in progress. Some operational issues have been identified and these are being worked through currently. An update on the study from the Head of Commercial and Integrated Landlord Services was offered for the next meeting.

It was added that the operational outcomes of the study will not be brought back to Audit Committee, only any identified risks. The PTU falls under the remit of Strong Communities Select Committee for scrutiny purposes. Any redesign of operations as a result of the review, will require member decision and pre-decision scrutiny.

The Committee noted the audit opinions issued.

The Committee noted the progress made by the Section towards meeting the 2019/20 Operational Audit Plan and the Section's performance indicators at the 9 months stage of the financial year.

### **5. Treasury Policy and Strategy report (Annex D to follow)**

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The Senior Accountant and Finance Manager presented the Treasury Policy and Strategy Report. Questions were asked by Committee Members as follows:

- Referring to para 4.1, a Member was impressed that the example of income return on investments to date is above 4%. It was explained that this was in relation to a small amount invested in strategic pooled funds where interest is fixed for three to five years; the funds have therefore returned as expected.
- A Member reminded the Committee that there is £20m left (of £50m) for the Investment Committee and there is the likelihood of more borrowing. It was confirmed that the capital financing requirement figures in the Medium Term Financial Plan includes £20m borrowing. It was commented that a similar investment strategy is being followed by other councils.
- The term “not financed” in Table 1 was clarified as meaning the loan is not being paid for from the revenue budget.
- A Committee Member referred to loans that are amortising up to 2065 and queried if the authority’s income stream would increase over time, and if more borrowing would be required for expenditure. It was explained that the graph referred to circumstances where no further borrowing is taken out. Loans would be replaced as they mature and the revenue budget will bear the cost over the specified time for repayment. Borrowing capacity would stay constant over the next few years (to meet the red line on the graph). Further explanation was provided on short and long terms borrowing already in the Medium Term Financial Plan noting that historically there were more long term loans than over the last 6-7 years.
- Referring to Annex D, the Committee was reassured that there are no loans agreed on a verbal basis.

The Committee acted on the recommendations as follows:

That Audit Committee considers and endorses for onward circulation and approval by full Council.

- The proposed Treasury Management and Minimum Revenue Provision Policy Statement for 2020/21 (Appendix 1) and
- The proposed Treasury Management Strategy 2020/21 (Appendix 2) including the Investment & Borrowing Strategies.

### **6. Whole Authority Strategic Risk Assessment**

The Performance Officer introduced the Whole Authority Strategic Risk Assessment report. The following questions were asked:

- A Member referred to the risk ratings listed under Corporate Parenting (6 & 7) and questioned how the “Medium” risk rating regarding children was scored. The Head of Policy and Governance responded that elements considered to determine a risk score include the likelihood and potential consequences. It was explained that the potential consequence element is always higher but is balanced against the likelihood which, taking into account the safeguard systems in place and the relative infrequency of the worst outcomes results in a “Medium” score. The Member expressed concern about factors beyond the control of the authority and commented that the risk rating should be higher.

A Member agreed that there is little control of who is admitted to care and therefore the consequent costs. However, budgets are set to manage the risk, provide mitigation and build in trends.

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- A Member questioned the risk rating around energy and energy infrastructure as we move away from diesel and petrol cars to electric powered. Secondly, in terms of global climate change, it was suggested that there should be reference to environmental change to include e.g. pandemics and other significant changes that create environmental impact. The Officer responded that the energy and energy infrastructure aspect is not specifically captured but contracts for energy, prices are relatively secure in the short/medium term. It was explained that an additional energy officer has recently been appointed.

The issue of global climate change stretches beyond the period of this 3-year risk assessment. The Committee was informed of new Future Generations Act work across Public Service Boards in Gwent to determine a longer term risk and opportunity register. Funding has been obtained to buy in expertise to develop information, risks and possible solutions. An update on the work will be brought back in 4/5 months time as it develops. The Committee was reminded that Members declared a climate emergency in 2019.

It was explained that global environmental issues such as pandemics are reflected in our business continuity plans for which the Emergency Planning Team has a major role in terms of impact on delivery of services.

- A Member queried potential risks to organisational capacity referring to a higher than average 11.5 days lost per fulltime employee plus 9% staff turnover. The actual figures were queried, also the effect on delivery of services. A further question was asked about numbers of staff who stay at home and continue to work whilst ill. The effect on workforce of these factors was queried. The Head of Policy and Governance explained that turnover is welcomed to create new ideas and e.g. opportunities for young people. It was confirmed that there is an impact when staff are not in work and there can be a financial impact when the member of staff holds a frontline post to ensure continuity of services.

HR undertakes work on staff well-being in response to increases in numbers of sickness absences due to stress and psychological reasons. Capacity is a significant factor in a small authority. There are advantages to agile working where staff can self-isolate to control spread of germs when unwell but well enough to work. There is no statistical data available on this aspect and judgement on fitness for work is the mutual responsibility of the staff member concerned and their line manager.

The Member concluded that the figure of 11.5 days per fulltime member of staff could be masking a higher figure of sickness absence.

- The Chief Officer, Resources responded to a question about the varying degrees of success in recording staff appraisals that there would be a report to Audit Committee in May/June. It was confirmed that appraisals are being undertaken.

Aligned to the report recommendations, the Audit Committee 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.

Members scrutinised the risk assessment and responsibility holders, and will do so on an on-going basis, to ensure that risk is being appropriately managed.

#### **7. Forward Work Plan**

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The Chair welcomed the populated Forward Work Plan.

**8. To confirm minutes of the previous meeting**

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

**9. To confirm the date of the next meeting as 19th March 2020**

**Meeting ended at 3.20 pm**

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