

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Governance and Audit Committee held at Remote Meeting on Thursday, 25th March, 2021 at 2.00 pm

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

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

OFFICERS IN ATTENDANCE:

Andrew Wathan	Chief Internal Auditor
Peter Davies	Deputy Chief Executive and Chief Officer, Resources
Wendy Barnard	Democratic Services Officer
Charlotte Owen	Audit Wales Officer
Emma Davies	Performance Officer
Richard Jones	Performance Manager
Jonathan Davies	Acting Assistant Head of Finance
Rachel Freitag	Audit Wales
Deb Hill-Howells	Head of Commercial, Property, Fleet and Facilities

APOLOGIES:

County Councillor J.Watkins

1. Declarations of Interest

Item 5: Annual Performance Review of the Investment Committee – CC P. Murphy declared a personal, non-prejudicial interest as a member of the Investment committee in the capacity of Cabinet Member for Resources.

2. Public Open Forum

No members of the public were present.

3. To note the Action List from the previous meeting

There were no actions brought forward from the previous meeting.

4. Whole Authority Strategic Risk Assessment

The Performance Officer introduced the Whole Authority Strategic Risk Assessment. Following presentation of the report, comments and questions were invited:

- Locally Managed School Budgets: A Member commented on the collective net deficit balance of £435k for the current financial year and the Month 9 analysis indicates further decline taking the overall forecast deficit to £166,000 and queried if the statement was correct.
- Investment Committee: A Member referred to the work of the Investment Committee noting the shortfall in rent covered by Welsh Government. A forecasted combined

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overspend of £836,000 was queried. The Member asked if this is an exclusive figure unrelated to the income generated from Newport Leisure Park and Castlegate. It was responded that this amount relates to the income shortfalls separate to the funding received from the Welsh Government Covid 19 Hardship Fund. The net loss is significantly less as losses have been heavily offset by hardship funding.

- Procurement: Regarding the implementation of the Procurement Strategy, it was noted a strategic review has taken place. In response to a question, it was noted that the subsequent report is subject to individual Cabinet Member decision and was part of the budget consultation at the last meeting of the County Council.
- Infrastructure: A Member queried why infrastructure had reduced from high to medium risk.
- Solar Farm: A Member queried the restrictions in connecting potential new energy generation to the national grid that limit the ability to develop new solar farms and asked how this will be resolved. The Chief Officer, Resources explained the restrictions on the national grid prevalent in South East Wales impacted on the ability to create further solar farms. This is the subject of ongoing dialogue with energy companies. The possibility of battery storage to hold energy when there is available capacity is being explored as an option.
- The Chair queried the role of the Audit Committee in scrutinising the strategic risk assessment. The Performance Manager explained that the Committee must reassure itself on risk management arrangements. The risk owner provides updates within the risk management process. Whilst it may not be feasible for risk owners to be present at meetings, in undertaking scrutiny, the Committee may request that technical points are raised outside the meeting. Matters requiring further explanation can be considered by the appropriate Select Committee.
- A Member requested an update on the redeployment of Internal Audit staff to the TTP function. Assurance was provided that the team provided assistance from January 2021 onwards. By 1st March 80% had returned to their substantive roles. One member of staff remains on a longer term secondment to assist with the administration of business grants.
- The Chair questioned risks not mitigated after actions are taken (e.g. Risk 1 Potential Risk that: The authority does not remain relevant and viable for future generations due to not having a sustainable delivery model) referring to the disruption caused by the pandemic and flooding; circumstances that have prevented further mitigation. It was explained that various factors influence each risk and are taken into consideration in liaison with risk owners, taking into account how far it is within the Council's control to mitigate the risk. All risks are kept under continuous review and take account of mitigation measures. Risks may be reassessed if there are changes.

The Audit Committee agreed the report recommendations that:

1. Members use 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: and
2. That members scrutinise, on an on-going basis, the risk assessment and responsibility holders to ensure that risk is being appropriately managed.

5. Annual Performance Review of the Investment Committee

The Head of Commercial and Integrated Landlord Services introduced the Annual Performance Review of the Investment Committee. It was confirmed that the report was presented to, and endorsed by, Investment Committee on 24th March 2021. Following presentation of the report, questions and comments from Members of the Audit Committee were invited:

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A Member enquired how ideas and suggestions can be submitted for consideration by Investment Committee. The Deputy Chief Executive and Chief Officer, Resources explained that suggestions can be submitted from both inside and outside the authority by a variety of means. Officers assess opportunities before further exploration and consideration by Investment Committee. A business case is developed as appropriate.

A Member expressed the view that substitute members must be fully up to date with the work of the Committee and queried if a pool of trained substitutes could be established. It was agreed that continuity and experience is important but the Group Leader or Member being substituted could provide sufficient update.

In response to a question, it was confirmed that the 97% occupancy in Newport Leisure Park was based on area (m²).

It was also questioned if the 1.02% return on investment (ROI) was after the contribution from the Welsh Government Hardship Fund. It was confirmed that the ROI reflects the rent roll on the assumption that tenants pay according to their contractual obligation. Some adjustments have been made arising from CVAs. It was queried if an exit strategy existed and in what circumstances it would be utilised. It was explained that an exit strategy is prepared as part of the business case. For Newport Leisure Park and Castlegate, a business case was originally written predicated on a well performing asset. This has been reviewed to reflect current circumstances to assess disposal costs and the current market value given the reduction in the rent roll. The Investment Committee has agreed that the Newport Leisure Park should be retained based e.g. on the interest in the vacant unit which suggests long term interest in the site.

A Member questioned ease of access to the Investment Committee, commenting that it is difficult for non- Committee Members to ask a question due to confidentiality. It was suggested that a question could be asked on behalf of non- Committee Members by the Group Leader or a Committee Member.

Officers were thanked for their contribution to this item.

The Committee approved the recommendations as follows:

1. For the Audit Committee to consider and scrutinise the second performance review of the Investment Committee.
2. To review progress against the improvement proposals that were agreed by Audit Committee in March 2020.
3. To receive a verbal update at the meeting following consideration of the performance review by the Investment Committee at its meeting on the 24th March 2021.
4. For Audit Committee members to determine any further recommendations for improvement.

6. 6 Month Update on Unfavourable Opinions - Internal Audit

The Chief Internal Auditor introduced the six-month report on progress of unfavourable opinions. The Committee was advised that there was no recommendation to call in operational managers and Heads of Service to justify lack of progress and to hold to account for future

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improvements. There are no consecutive Limited opinions of which the Committee is unaware. No new Limited opinions have been issued.

Following presentation of the report, members were invited to ask questions:

The Chair asked to what extent the report reflects the inability to operate in the past year due to the pandemic and the redeployment of staff to the TTP function. It was confirmed that the effect has been significant as it has not been possible to conduct site visits, relying instead on managers providing information electronically. Mainly, there has been evidence that there are good controls in place. Some elements of the Internal Audit Plan will have to be moved to the next year's plan.

The recommendations below were approved with no instruction to call in any operational managers or heads of service.

1. That the Audit Committee note the improvements made by service areas following the original **Limited** assurance audit opinions issued.
2. That if the Members of the Audit Committee are concerned about any of the audit opinions issued or lack of improvement made after the follow up audit review, consideration be given to calling in the operational manager and the Head of Service to provide justification for lack of progress and hold them to account for future improvements.

7. Audit Plan - Audit Wales 2020-21

The Audit Wales Audit Plan 2020/21 was introduced by Audit Wales Officers. Following presentation of the plan, Members were given the opportunity to ask questions:

A Member asked for an update on Audit Wales' work on Cardiff City Region City Deal (CCR). It was explained that this is included as a standard risk in audit plans. Based on the risk assessment for Monmouthshire, no specific risks have been identified and it was correctly accounted for last year. As the activity of the CCR increases, values will rise, it will be monitored to ensure the authority's share of CCR income and expenditure is accounted for correctly.

It was confirmed that collaborative work is audited separately and there is a separate audit team within Cardiff City Council that audits the City Deal accounts that also provides assurance that Monmouthshire's values are consolidated into financial statements correctly.

Referring to the financial audit, the Acting Assistant Head of Finance explained that the authority is aiming to finalise the draft accounts by the end of June deadline. The pandemic has adversely affected the good progress made to achieving faster closure deadlines. For the next financial year, the focus is on producing robust, accurate management reporting for Cabinet and scrutiny, and to return to normal operating procedures.

The Performance Manager informed the Committee that there is outstanding work carried forward from the 20/21 Plan that will be reported as appropriate. The Progress tracker will be presented to Audit Committee to monitor progress on previous improvement items. Performance work continues to consider good practice from local and national reviews carried out by Audit Wales.

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A Member queried the charges for the audit of the Welsh Church Fund accounts citing that there is in the region of £40,000 to allocate and the charge of £6255 to cover approximately 40 applications seems excessive. It was explained that the fees charged reflect the actual cost of completing the audit with no profit element. If the audit costs more, or less, an adjustment is made to the fee charged. There is continuous work to make efficiencies.

The Acting Assistant Head of Finance explained it is possible to undertake an inspection audit of the Welsh Church Fund accounts which would cost less. This has been considered but with the current set up and various partners across the region, a full audit is considered appropriate at this time to ensure structure and procedures are robust. This, however, remains an option for future consideration.

The Chair questioned if there could be efficiencies available due to familiarity with the work. The Audit Wales Officer agreed to investigate and to report back to the Member.

The Audit Committee noted the report.

8. Forward Work Plan

The plan presented finishes in May and should be further populated for the forthcoming year.

9. To confirm minutes of the previous meeting

The minutes of the previous meeting were accepted as an accurate record.

10. To confirm the date of the next meeting as 20th May 2021

Meeting ended at 3.20 pm