

Agenda

Audit Committee

Date: Thursday, 26 March 2015

Time: 5.00 pm

Venue: Committee Room 1 - Civic Centre

To: Mr John Baker, Councillors H Thomas, Townsend, White, Hayat, Mogford, Mudd, Davies, Spencer and Ali

Item		Wards Affected
1	<u>Apologies for Absence</u>	All Wards
2	<u>Declarations of Interest</u>	All Wards
3	<u>Minutes of previous meeting 22 January 2014 (Pages 3 - 8)</u>	All Wards
4	<u>Chair update following meeting with Chief Executive</u>	All Wards
5	<u>Regulatory Reports (Pages 9 - 40)</u>	All Wards
6	<u>Consultation on White Paper - Reforming Local Government: Power to Local People (Pages 41 - 42)</u>	All Wards
7	<u>Council Pay Reserve (Pages 43 - 48)</u>	All Wards
8	<u>Update on Accounts Close Down and Financial Statements Preparation Timetable</u>	All Wards
9	<u>Draft Annual Governance Statement (Pages 49 - 72)</u>	All Wards
10	<u>Member Development Self Evaluation Exercise</u>	All Wards
11	<u>Financial Memorandum on the 2013-14 Financial Audit (Pages 73 - 92)</u>	All Wards
12	<u>Annual Audit Outline for the 2014/15 Financial Audit (Pages 93 - 118)</u>	All Wards
13	<u>WAO Annual Report on Grant Works (Pages 119 - 144)</u>	All Wards
14	<u>Work Programme (Pages 145 - 150)</u>	All Wards
15	<u>Date of Next Meeting - Thursday 28 May 2015</u>	All Wards

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Date of Issue: 19 March 2015

Minutes

Audit Committee

Date 22 January 2014

Time 5 pm

Present Mr J Baker, Cllrs Townsend, White, Mogford, Davies, Spencer and Ali

Apologies for Absence

Also in Attendance A Wathan (Chief Internal Auditor) D Palmer and R Squance (Audit Managers) M Rushworth (Head of Finance), R Jones (Assistant Head of Finance (Accountancy), D Wood-Lawson (Head of People and Business Change) H Brayford (Performance Management Support Officer) J Sweet and A Barrett (Wales Audit Office) and J Eales (Scrutiny Support and Research Officer).

1. Minutes Agreed

The Minutes of the meetings held on 27 November 2014 were submitted.

Agreed

That the Minutes of the meeting held on 27 November 2014 be confirmed.

2. Council Pay Reserve

Following a request for further information at the September and November 2014 Audit Committee meetings, the Head of Finance gave a brief summary of both the need and use of the Pay Reserve, established at the end of 2010/11 to deal with the Equal Pay Settlement.

He outlined the balance on the reserve over the last three years and the reasons for the fluctuations. The fund was built up over the first two years, given the uncertainty on costs and need for flexibility whilst also funding the Total Reward Project costs. In 2013/14 the main bulk of Equal Pay costs were incurred and these were funded from capitalisation. Progress was made on Total Reward and there was more certainty regarding one off implementation costs and this enabled officers to reduce the value of the reserve.

Members raised a number of issues:

- The understanding was that the reserve was to deal with Equal Pay and when that was sorted the reserve would no longer be required. The Head of Finance explained that following capitalisation of Equal Pay costs it was considered appropriate to keep the reserve intact and use for Total Reward including detriment.

- How much of the reserve was capitalised? This figure was unavailable but would be submitted to the next meeting.
- Members were concerned about changes since the information was originally requested in September 2014, the information that was being given and the need for a report to fully explain the changes.

Members requested that a report be submitted to the next meeting providing a full explanation on the use and value of the fund since it was established at the end of 2010/11.

Agreed

That a report be submitted to the next meeting providing a full explanation on the use and value of the fund since it was established at the end of 2010/11.

3. Corporate Risk Register

Members considered an updated version of the Corporate Risk Register. The Risk Management Strategy was agreed by Cabinet in September 2014. The Register was then updated to reflect a revised approach to risk management and improved processes for identifying and escalating risk.

The Chair reminded Audit Committee of their role in reviewing and assessing the risk management, internal control and corporate governance arrangements of the authority. Processes and Strategies were reviewed by the Committee however the content of the register including setting and changing risks was not the role of Audit Committee.

Nine risks were identified in the register, 3 high, 5 medium and 1 low risk. Since the last update assessments of 7 risks had stayed the same and 2 risks had reduced.

Members raised a number of issues:

- Risk 3, Total Reward, why did the percentage rate of an occurrence increase considerably when comparing the next year to the next three years? The Performance Management Support Officer explained that there was a greater chance of an occurrence over the next three years. Members discussed the benefits of the information being shown in this way and suggested improvements to the layout in future.
- It would be useful if the report identified clearly risks going up and risks going down. The information was available in the text but this was sometimes lost.
- Risk 4, Welsh Language Standards, how could there be a risk of “significant fraud”? The Performance Management Support Officer explained that this was an explanation from the scoring impact table to give context to the level of risk. She accepted that it could be misleading and agreed to reconsider the way the information was provided.
- How were policies and procedures overhauled in those areas identified as requiring attention? Staff were updated by staff bulletins and training and during personal development sessions.

Agreed

That the report be noted.

4. Presentation on the Internal Audit Plan and Progress (Quarter 3)

Members received a presentation on how the Internal Audit Plan was compiled and a report on the progress of work undertaken by the Internal Audit Section against the agreed audit plan. The purpose of the presentation was to inform members how available resources for the internal audit plan were determined, what factors could impact on those resources during the year and how those factors had impacted on completion of the audit plan in 14/15 at the end of quarter 2.

The Audit Managers explained how productive time was calculated and how resources were allocated. They were also able to identify the number of actual days spent on each task compared to the number of days planned and the pressures on achievement of the audit plan.

When resources were reduced high risk reviews had to be prioritised over medium or low risk reviews but this was not always practical, depending on available resources and whether or not operational management could accommodate the audit. Following the presentation, Members were informed of progress against the agreed audit plan for the first nine months of the year.

The team currently operated with 11 audit staff. At the start of the year there were 9 audit staff with two vacancies in the team. As part of the budget pressures, recruitment to these posts was currently on hold and there was a strong possibility that these posts would have to be given up as budget savings.

The performance for quarter 3, 2014/15 indicated that 51% of the audit plan had been achieved so far which was the same as last year's performance and in line with the profiled target of 50%. The promptness of issue of draft report averaged 13 days, above the target time of 10 days. The promptness of report finalisation averaged 2 days which was within the target of 5 days. Coverage of the plan at this stage was in line with expectations, the target being 50%. 40 days had been spent finalising 20 2013/14 audit reviews; 18 of which had now been finalised. 193 days had already been spent on 6 special investigations.

Generally there continued to be positive feedback from service managers (via the evaluation questionnaires) and this would continue to be collated throughout the year and fed into the audit report for 2014/15. Training programmes continued with 5 sessions delivered to 81 delegates up to 31 December 2014.

21 jobs completed to draft report stage by 31 December 2014 warranted an audit opinion: 5 good, 12 reasonable with 4 unsatisfactory and no unsounds. Of the 8 community centre accounts undertaken, 7 were Unqualified and 1 was Qualified. Other work completed related to the Annual Governance Statement, the Council's performance indicators, grant claims, provision of financial advice and financial regulations training and external clients.

Members raised a number of issues:

- If certain areas were under pressure not to fill a post and then that post was cut as part of the savings process, wasn't there a risk that the wrong posts were being cut? The Head of People and Business Change explained that a panel considered all options before any posts were cut or created to ensure that this didn't happen.
- Were there enough staff to run the service without risk to the Council? The Chief Internal Auditor explained that he was currently working with a team of 9 and when compared to the team of 12 in post until recently, there was a greater risk. Coverage across the Council had declined and he now hoped to cover all areas within 6/7 years instead of 4/5 years previously achieved.

- Concerns were raised that if a further post was given up as a budget saving there would be no dedicated resource in the audit team to proactively deal with anti-fraud and corruption issues or to promptly investigate fraud. The Chief Internal Auditor explained that he was looking for a solution to the problem such as sharing a post with another authority

The Chairman thanked the Audit Team for the presentation.

Agreed

That the report be noted

5. Internal Audit – Progress Against Unsatisfactory Audit Opinions Issued to December 2014

Members considered a report on the up to date position of audit reviews previously given an unsatisfactory/unsound audit opinion.

Since bringing this report to Audit Committee there had been 13 reviews which had been given two consecutive unsatisfactory or unsound audit opinions and these had been brought to the attention of Audit Committee. Improvements were made in all 13 areas and they would be picked up as part of the audit planning cyclical review and would be audited as part of the process.

In 2013/14, 41 audit opinions were issued; no Unsatisfactory or Unsound opinions were issued.

To date in 2014/15, 4 audit reviews had been given an Unsatisfactory audit opinion: Amenity Funds, Financial and Administrative Procedures (Flexible Working and Travel and Subsistence Procedures in Adult Services), CCTV/Security (Telford Depot) and Discretionary Charging (Environmental Health).

The Chief Internal Auditor explained that a number of older reviews would be deleted from the next report eg Museum and Tredegar House Income.

Agreed

That the report be endorsed by Audit Committee

6. Accounts Close-down and Financial Statements Preparation Timetable

The Assistant Head of Finance apologised for the delay in publishing the papers. Members considered the lessons learned from the 2013/14 Accounts Close-Down and Financial Statements Preparation and action points for improvements. The preparation of the Statement of Accounts was completed to a good standard with good quality Financial Statements and the audit was completed within the statutory deadline. However concerns were raised about minor adjustments within the Statement of Accounts not included in the Final Statement presented to Audit.

Upon completion of the audit, detailed discussions were held between finance staff and the WAO in order to identify any areas of improvement for both the accounts preparation and audit processes. A Project Plan had been developed including the action points for improvement.

Communication was a key factor in making the process work and regular formal closure of accounts meetings would be held with officers. Key dates had been set in the timetable to give the best chance of getting correct documentation on time. Two dates had been set in the diary for the sign off of accounts. The Assistant Head of Finance would aim for 17 September but he was not able to commit to that date as it would require a significant level of resource to change the way reconciliations were currently undertaken and depend on resources available at the time.

A Barrett (WAO) confirmed that he would be looking to certify the accounts at the end of September to allow for any last minute issues and that most authorities were in the same position. Proposals were in hand for accounts to be completed by the end of July from 2017/18 so all authorities needed to think differently in future.

Agreed

That the report be noted.

7. Treasury Management Report

The Chairman raised concerns that because the report had been sent out late, Members had not had enough time to read it before the meeting. The Committee confirmed that they had read the report and were happy to consider it at the meeting. The Head of Finance apologised for the delay and explained that Treasury Advisors were called in at short notice to ensure the information in the report was accurate and up to date and this was the reason for the delay.

Members considered the report on the Council's 2015/16 Treasury Management Strategy, Prudential Indicators, Investment Strategy and Minimum Revenue Provision (MRP) policy. Both the Prudential Code and Welsh Government required these items to be reviewed and considered by Audit Committee prior to their approval by full Council.

The strategies within the report set the Council's approved borrowing and investment limits, based on planned capital spending. The report was prepared in line with the Council's draft Medium Term Revenue Plan and would be presented to full Council as part of the overall budget report for approval in February 2015.

It was anticipated that new borrowing of approximately £35 million would be required before the end of 2014/15 financial year, of which £16m would cover normal council activities and the balance of £19m related to the Friars Walk Development. Taking into account a previous loan of £17.9m the total amount of additional borrowing since the previous treasury management report to the 31 March was projected to be £53m.

In December 2013 the Council approved a loan of up to £90 million to Queensbury Real Estates (Newport) Ltd (QRE) to fund the building of the Friars Walk Development. This borrowing was kept separate from the Council's other borrowing requirements and would be incurred on a monthly spend basis up to a maximum of £90 million. A further £53 million was likely to be required by the end of the 2015/16 financial year to cover Friars Walk capital spending.

Members raised a number of concerns:

- Was short term borrowing automated? The Assistant Accountant explained that this was a daily task that she performed.

- The summary regarding the loan to Queensberry was confusing and could be improved to clearly explain the maximum loan of £90 million and the further £53 million likely to be required by the end of 2015/16.
- The reduction in the total amount invested in any individual counterparty from £8 million to £4 million had been reported previously and members were under the impression this was already being done.
- The report referred to Queensbury but the correct name was Queensberry.

Agreed

That the Prudential Indicators, Minimum Revenue Provision Policy, the Treasury Management Strategy and the Annual Investment Strategy as detailed in the report, be recommended to Cabinet for approval.

8. Financial Memorandum on the 2013-14 Financial Audit

Members agreed that consideration of this item would be deferred to the next meeting.

Agreed

That consideration of the report be deferred to the March meeting.

9. Work Programme

Members requested that reports on the Council Pay Reserve and Financial Memorandum on the 2013-14 Financial Audit be submitted to the March meeting

Agreed

That subject to the above, the report be noted.

10. Date of Next Meeting

The date of the next meeting was confirmed as 26 March 2015.



Report

Audit Committee

Part 1

Date: 26th March 2015

Item No: 5

Subject **Monitoring Regulatory Reports**

Purpose To provide Audit Committee with information about the regulatory reports that have been received by the Authority and the arrangements to follow up on any recommendations made.

Author Hannah Brayford, Project Manager

Ward All

Summary This report details all of the regulatory reports that have been received by the authority from our main regulators, Wales Audit Office (WAO), Care and Social Services Inspectorate Wales (CSSIW) and Estyn.

Each of the regulatory reports contains recommendations or proposals on areas of service delivery where the authority can make improvements. It is important that the authority take note of these proposals and make plans to implement the findings and to monitor the progress of the plans

Proposal 1. To note the contents of the report.
2. To receive a further update in September 2015

Action by Heads of Service

Timetable Immediate

This report was prepared after consultation with:

- Head of Law & Standards
- Chief Democratic Services Officer
- Head of People and Transformation
- Head of Finance
- Chair of Cabinet
- Audit Committee

Signed

Background

This report builds on the information provided to the Audit Committee on 19th September 2013 and 21st November 2013, and 27th March 2014. Earlier reports contain details of regulatory reports that have been received by the authority since April 2011. However for ease of reading this report only includes details for 2013 onwards. Review from our main regulators are included, Wales Audit Office (WAO), Care and Social Services Inspectorate Wales (CSSIW), Estyn and more recently, Her Majesty's Inspectorate of Probation (HMIP)

Each of the regulatory reports contains recommendations or proposals on areas of service delivery where the authority can make improvements. It is important that the authority take note of these proposals and make plans to implement the findings and to monitor the progress of the plans.

New Information for this report

- The authority have received the CSSIW Annual Review and Evaluation of Performance and this was considered by Scrutiny and Cabinet in February 2015. The balanced report highlighted areas for development and improvement alongside areas of good practice within social services and identified five areas for follow up by CSSIW in the next year.
- A Certificate of Compliance issued by the WAO after an audit of the Improvement Plan 14/15 was considered by Cabinet in November 2014.
- Upcoming reviews include Information Governance, Adult Services, and an Estyn review of Regional School Improvement Services

Monitoring WAO proposals for Improvement and recommendations

To date, the monitoring of the proposals for improvement made by WAO are reported to Cabinet, whereas the monitoring arrangements for CSSIW and Estyn reports are through Scrutiny. Progress monitoring reports for the WAO proposals for improvement are reported to Cabinet on a quarterly basis. These quarterly reports to Cabinet include updates of the open Proposals for improvement and the recommendations arising from the Corporate Assessment. The latest update on the Proposals for Improvement is included in appendix 2

Links to the Cabinet papers can be found below:

Cabinet 18th February 2013 (page 37 onwards)

<http://www.newport.gov.uk/stellent/groups/public/documents/report/cont708062.pdf>

Cabinet 10th June 2013 (page 39 onwards)

<http://www.newport.gov.uk/stellent/groups/public/documents/report/cont712323.pdf>

Cabinet Report 9th September 2013 (page 39 onwards)

<http://www.newport.gov.uk/stellent/groups/public/documents/report/cont715496.pdf>

Cabinet Report 11th November 2013 (page 41 onwards)

<http://www.newport.gov.uk/stellent/groups/public/documents/report/cont718090.pdf>

Cabinet Report 17th March 2014 (page 42 onwards)

<http://www.newport.gov.uk/stellent/groups/public/documents/report/cont722104.pdf>

Cabinet Report 9th June 2014 (page 62 onwards)

<http://www.newport.gov.uk/stellent/groups/public/documents/report/cont724223.pdf>

Cabinet Report 8th September 2014 (page 42 onwards)

<http://www.newport.gov.uk/stellent/groups/public/documents/report/cont727364.pdf>

Cabinet Report 8th December 2014 (page 44 onwards)

<http://www.newport.gov.uk/stellent/groups/public/documents/report/cont730383.pdf>

Cabinet Report 16th March 2015 (page 46 onwards)

<http://www.newport.gov.uk/stellent/groups/public/documents/report/cont733719.pdf>

WAO Local Studies

WAO Undertake a programme of work at the council about our local arrangements. The findings of the performance work are published in two letters to the council and the data quality review report.

Local Studies currently underway are:

- Corporate Assessment Review
- Gwent Frailty Follow up

WAO National Studies

In addition to the local work that WAO undertaken at the council they also carry out a number of national studies each year on various topics. The outcomes of these studies are to identify trends across Wales and to identify best practice. We have been asked to participate in the following

National Studies over the next few months.

- Value for money study on early termination and severance payments
- Gwent wide review – Social Services, managing the financial challenges
- All Wales Local Government Improvement Study: Independence of Older People
- All Wales Local Government Improvement Study: Delivering with Less: Leisure Services

Roles and Responsibilities

Body	Role	Responsibilities
Cabinet	To receive and respond to service review reports by drawing up appropriate and robust action plans. To work with officers to ensure delivery of those action plans.	To receive 'whole authority' reports from the major regulatory bodies (WAO, CSSIW and Estyn) and endorse action plans for consideration and monitoring (where appropriate) by Scrutiny. To receive quarterly monitoring reports on the proposals for Improvement
Cabinet Members		To receive whole authority reports To receive specific review reports and endorse action plans for consideration and monitoring by Scrutiny. To ensure delivery of action plans.
Audit Committee	To ensure all regulatory reports are being appropriately dealt with, and the Council's risk management and internal control mechanisms are adequate.	To receive six monthly overview reports about the position of the regulatory reports received by the authority, including summary findings of reports received. To be advised of upcoming regulatory reports
Scrutiny Committees	To hold the Executive to account in responding to regulatory reports, ensuring actions plans are robust, and progress is being made in delivering them.	To receive all regulatory reports and resulting action plans, and to monitor the progress of the action plans as appropriate.
Chief Executive, Directors, Heads of Service and Senior Managers	To present and deliver action plans and ensure these plans are monitored through service planning or other scrutiny arrangements.	To input into the whole authority and specific review reports as appropriate. To work with Cabinet Members to ensure delivery of action plans.

Types of regulatory report

There are two types of report that are received from regulators, whole authority (or whole service) reports, and specific review reports.

- 'Whole Authority' reports are those that cover the governance of the authority or the whole scope of the regulator. Examples of this would be the Corporate Assessment, Improvement Letters, Estyn Inspection of Local Authority Services, and the CSSIW Annual Review and Evaluation of Performance. These reports will be considered by Cabinet and final reports will generally be presented by the regulator that authored the report.
- 'Specific Review' reports are those on a single topic, e.g. Waste Management or Regeneration. These reports will be considered by the relevant Cabinet Member.

Financial Summary

- There are no specific financial implications from this report

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
That the authority may not comply with the Local Government Measure in this respect	M	M	Processes have been put in place to capture, monitor and manage proposals from regulators.	
That the authority does not have a full picture of the regulatory activity	M	L	This overview report, the cabinet reports and regular future reports on this topic will address this issue	

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

This report contributes in some way to all of the Council's priorities

Options Available

For information

Comments of Chief Financial Officer

There are no specific financial consequences arising from this report. There may be financial consequences arising from the individual regulatory reports and these will be picked up within those reports as appropriate.

Comments of Monitoring Officer

There are no specific legal issues arising from the Report. However, the Local Government (Wales) Measure 2011 and relevant statutory guidance now requires that Audit Committee should be informed of all external audit or regulatory reports, so they can be satisfied with the measures adopted to address any issues identified and to mitigate any internal risks. Following the processes set out in this report, Cabinet, Scrutiny Committee's and Audit Committee will need to exercise a greater overview over regulatory reports in future..

Staffing Implications: Comments of Head of People and Business Change

There are no direct staffing implications associated with this report.

This report enables the authority to have an overview of the regulatory reports received by the authority, and as such, complies further with the Local Government (Wales) Measure 2011

Background Papers

See links in report

'Regulatory Reports Review' Audit Committee (19/09/13)

'Monitoring Regulatory Reports' Audit Committee (21/11/13)

'Monitoring Regulatory Reports' Audit Committee (27/03/14)
'Wales Audit Office: 2014/15 Performance Audit Work and Fees (18/09/14)
'Monitoring Regulatory Reports' Audit Committee (27/11/14)

Dated: 10th March 2015

Appendix One Details of Regulatory Reports

Key: The following acronyms are used in the table below

LCL Scrutiny	Leisure, Caring and Learning Scrutiny Committee (post May 2012)
CPD Scrutiny	Community Planning and Development Scrutiny (post May 2012)
SRS Scrutiny	Streetscene, Regeneration and Safety Scrutiny Committee (post May 2012)
CFS	Service Area: Children and Family Services
CIS	Service Area: Customer and Information Services
P&T	Service Area: People and Transformation
RRS	Service Area: Regeneration and Regulatory Services
L&S	Service Area: Law and Standards

Education (Estyn Regulatory Reports)

Service Area	Report / Review and date	Reported to	Comments / follow up
Education	Inspection Pupil Referral Unit October 2012 http://www.newport.gov.uk/stellent/groups/public/documents/report/cont710582.pdf (report) http://www.newport.gov.uk/stellent/groups/public/documents/report/cont710585.pdf (Action plan)	LCL Scrutiny 17 th April 2013	Action plan appended to the report. Estyn make 7 recommendations for improvement
Education	Pupil Referral Unit Monitoring http://www.newport.gov.uk/stellent/groups/public/documents/report/cont712697.pdf	LCL Scrutiny 12 th June 2013	Follow up report by Estyn on the 7 recommendations made in October 2012.
Education	UPCOMING: Review of regional school improvement services (EAS)	LCL Scrutiny	Fieldwork for the review was undertaken in mid-November, the conclusions of the review are expected in the Spring.

Social Services (CSSIW Regulatory Reports)

Service Area	Report / Review and date	Reported to	Comments / follow up
Adults	WAO report on Gwent frailty November 2012 http://www.newport.gov.uk/stellent/groups/public/documents/report/cont709310.pdf	CPD scrutiny 13 th March 2013	No specific action plan included as proposals apply to the whole of Gwent. Follow up: Cabinet 9 th September and CPD Scrutiny on 23 rd October
CFS	Inspection Report for Children and Family Services February 2013 http://www.newport.gov.uk/stellent/groups/public/docum	LCL Scrutiny 12 th June 2013	Action plan included in the report

Service Area	Report / Review and date	Reported to	Comments / follow up
	ents/report/cont712699.pdf		
Social Services	CSSIW Annual Review and Evaluation of Performance 2012/13 http://www.newport.gov.uk/stellent/groups/public/documents/report/cont720831.pdf	Cabinet 10 th February 2014	CSSIW have identified 12 areas for potential Improvement and Development
Social Services	CSSIW Annual Performance Evaluation Report 2013/14 http://www.newport.gov.uk/stellent/groups/public/documents/report/cont732574.pdf	Cabinet 9 th February 2015 LCL Scrutiny 18 th February 2015	A CSSIW evaluation of the Annual Report of the Director of Social Services. CSSIW highlight areas for development and improvement, and five areas for follow up during the next year.
CFS	HMI Probation Inspection Full Joint Inspection of Youth Offending Work in Newport	Local Service Board 3 rd March 2015	The report contains 12 recommendations and a plan is in place to implement the changes necessary.
CFS	UPCOMING: WAO review of Safeguarding	LCL Scrutiny 15th April 2015	The review includes six proposals for Improvement the will be monitored on a quarterly basis alongside the other open proposals for improvement that the authority has received.
CFS	UPCOMING: CSSIW National Inspection Safeguarding and Care Planning of looked after children and care leavers, who exhibit vulnerable or risky behaviours	LCL Scrutiny 15th April 2015	
Adults	UPCOMING: CSSIW Inspection of Adult Social Services	Spring 2015	Fieldwork to be undertaken at the end of November. Outcomes from the review expected in the Spring

Other Service Areas and Corporate Reports (WAO Regulatory Reports)

Service Area	Report / Review and date	Reported to	Comments / follow up
ALL	WAO Improvement Assessment Letter 2 December 2012 http://www.newport.gov.uk/stellent/groups/public/documents/report/cont705797.pdf (Cover) http://www.newport.gov.uk/stellent/groups/public/documents/report/cont705798.pdf (Report)	Cabinet 14 th January 2013	A further seven proposals for improvement are made in this report. All proposals are included in the quarterly monitoring to Cabinet
RRS	Asset Management August 2012 http://www.newport.gov.uk/stellent/groups/public/documents/report/cont706586.pdf	SRS Scrutiny 21 st January 2013	Action plan included in report of January 2013 and proposals are being monitored through the quarterly report to Cabinet.

Service Area	Report / Review and date	Reported to	Comments / follow up
RRS	WAO regeneration http://www.newport.gov.uk/stellent/groups/public/documents/report/cont706588.pdf	SRS Scrutiny 21 st January 2013	Action plan included in report of January 2013 and proposals are being monitored through the quarterly report to Cabinet.
ALL	Corporate Assessment September 2013 http://www.newport.gov.uk/stellent/groups/public/documents/report/cont717470.pdf (Cover) http://www.newport.gov.uk/stellent/groups/public/documents/report/cont716631.pdf (Report)	Cabinet 21 st October 2013	The report contains 7 proposals for Improvement that are updated in the quarterly monitoring report to Cabinet (November 2013). The report also contains 6 Recommendations. The statement of response can be found on the link below and the Recommendations will be monitored through the next quarterly monitoring report (March 2014) http://www.newport.gov.uk/stellent/groups/public/documents/article/cont717942.pdf
P&T	Review of Transformation Programme http://www.newport.gov.uk/stellent/groups/public/documents/report/cont718071.pdf	Joint Scrutiny Meeting 11th November 2013	WAO Report contains 4 proposals for Improvement and included in the report to scrutiny is an action plan to address these. Monitoring will be undertaken through the quarterly Cabinet report and an update on the action plan will be presented to Scrutiny in November 2014
ALL / L&S	Good Scrutiny? Good Question! Wales Audit Office Scrutiny Improvement Study, Newport City Council Self Evaluation http://www.newport.gov.uk/stellent/groups/public/documents/report/cont718067.pdf	Joint Scrutiny Meeting 11th November 2013	Strengths and weaknesses are discussed in the report and an action plan is also provided
P&T	Review of Neighbourhood Working http://www.newport.gov.uk/stellent/groups/public/documents/report/cont719051.pdf	SRS Scrutiny, 9 th December 2013	The report contains 3 proposals for Improvement and an action plan for addressing these. Quarterly monitoring will be undertaken as part of the reports to Cabinet
ALL	WAO Improvement Assessment Letter 2 http://www.newport.gov.uk/stellent/groups/public/documents/report/cont720830.pdf	Cabinet 10 th February 2014	Two proposals for improvement will be monitored by the quarterly report to Cabinet
ALL	WAO Certificate of Compliance: Audit of Improvement Plan 14/15 http://www.newport.gov.uk/stellent/groups/public/documents/report/cont729426.pdf	Cabinet 10 th November 2014	A certificate was issued to confirm that the authority has complied with the requirements of the Local Government Measure 2009 with regards to Improvement Planning 14/15
P&T	WAO HR Review http://www.newport.gov.uk/stellent/groups/public/docu	CPD Scrutiny 19 th November 2014	An update on the progress made towards the recommendation made in the Corporate

Service Area	Report / Review and date	Reported to	Comments / follow up
	ments/report/cont730050.pdf		Assessment. There are no new actions arising from the report
P&T	WAO Whistleblowing http://www.newport.gov.uk/stellent/groups/public/documents/report/cont730049.pdf	CPD Scrutiny 19 th November 2014	The WAO contains 6 proposals for improvement and an action plan setting out how improvements will be delivered is also included in the report. The proposals will be updated through the next quarterly monitoring report (March 2015)
ALL	WAO Certificate of Compliance: Annual Review of Performance 13/14	Cabinet 8 th December 2014	A certificate was issued to confirm that the authority has complied with the requirements of the Local Government Measure 2009 with regards to its Assessment of Performance 13/14
CIS	UPCOMING: WAO Information Governance		
ALL	UPCOMING: WAO Corporate Assessment Review		A follow up of the original Corporate Assessment undertaken in 2013
ALL	UPCOMING: WAO Data Quality Review		An assessment of the accuracy of the performance data produced by the authority
FIN	UPCOMING: WAO Financial Position		

Appendix Two

Update on Wales Audit Office Proposals for Improvement and Recommendations

(Being reported to Cabinet on 16th March 2015)

Regeneration

Ref	Proposal	Progress update to the end of December 2014	Actions planned next quarter	Expected close down date	Responsible Officer
29	Ensure that its Economic Development Strategy and Master Plan clearly relate to the relevant objectives in the Community Strategy and Improvement Objectives and to each other, to help the Council assess their contribution to its improvement programme and to achieving the Council's strategic priorities.	<p>Preparatory work to put in place a revised economic development / regeneration framework for the city.</p> <p>When implemented this will:</p> <ul style="list-style-type: none"> - Ensure vitality and viability of the city centre is safeguarded - Increase employment - Fewer empty shops and vacant/derelict buildings - Provide growth within local economy - Increase footfall in city centre and increase level of tourism and use of city as a sporting venue 	<p>Work is now underway on a new Regeneration Strategy encompassing the proposed new regeneration model.</p> <p>This will link to the objectives of the Community Strategy and Improvement programme.</p> <p>An action plan will be produced as part of the new Regeneration Strategy outlining outcomes, targets & milestones.</p>	By close of 2014/15	Head of Regeneration and Regulatory Services
30	Prioritise its actions and, against those actions, consistently include more details regarding outcomes, targets, deadlines, resources, milestones, risk factors and mitigating actions, which can be used to monitor progress, measure success and establish improvement.				
31	Strengthen the setting of outcomes and targets for regeneration schemes and projects, and ensure sufficient performance information is available to maintain monitoring and evaluation.				
32	Include more details on time, budget and resources in regeneration documents such as project initiation documents to enable assessment of value and cost effectiveness.				

Letter 2

Considered by Cabinet in January 2013

<http://www.newport.gov.uk/stellent/groups/public/documents/report/cont705797.pdf>

All proposals superseded by proposals and recommendations made in the Corporate Assessment

Proposals for Improvement from the Corporate Assessment

Considered by Cabinet in October 2013

Ref	Proposal	Progress update to the end of December 2014	Actions planned next quarter	Expected close down date	Responsible Officer
40	<p>The Council should:</p> <ul style="list-style-type: none"> • develop and implement an appropriate engagement and communication strategy that both communicates the new mission and organisational framework, and also supports cultural changes within the organisation; • ensure that it has in place the people and resources capable of implementing the organisational framework and delivering subsequent service changes; and • engage the Fairness Commission when developing improvement priorities as well as budget proposals. 	<p>This has been a particularly active quarter for the council in terms of staff communications and engagement.</p> <p>It is at this time of year the council considers and proposes its annual budget. There has therefore been a concentrated period of both internal and external comms created which was underpinned by the new mission and organisational framework that the council is working to.</p> <p>Many staff will have been directly involved with the budget setting process within their service area. Staff were also invited to provide their challenges and suggestions to the council's budget using Yammer, a closed social media platform. Many staff also live in the Newport boundary, and would have received regular updates through the council's website, press releases and Newport Matters delivered direct to their homes.</p>	<p>This will include weekly ebulletins, staff newsletter, info point noticeboards and intranet.</p> <p>The council will maintain its increased momentum of staff communications, and will work closely with all service areas to make sure key initiatives and changes are communicated in a timely manner to those both directly affected and a wider council audience when appropriate.</p> <p>During this quarter the council is reviewing and refreshing its comms plans for the council's change and efficiency programmes, making sure they reflect any changes coming from the council's agreed budget priorities for the 2015/16 financial year.</p>	Ongoing	Head of People and Transformation / Head of Finance

Ref	Proposal	Progress update to the end of December 2014	Actions planned next quarter	Expected close down date	Responsible Officer
		<p>The council's leadership team has put a renewed focus on its quarterly senior management forum. A revamped agenda and dates well in advance have all helped reach near 100% available attendance at such events.</p> <p>The council has relaunched its values of open, accountable and united to staff, communicating that these were derived from staff preferences.</p> <p>The council has also engaged in a programme to prepare and participate in an Investors in People evaluation. This has included a cross-council working group, staff focus groups and a new desktop display of core council messages.</p> <p>The Chief Executive continues to regularly use the intranet to inform our workforce of the challenges we face, and how we will approach those challenges.</p>			

Ref	Proposal	Progress update to the end of December 2014	Actions planned next quarter	Expected close down date	Responsible Officer
42	Develop a clearer understanding of the collaborative projects taking place across the Council and an agreed and widely communicated approach to the management of collaboration. The approach should help the Council to ensure that collaborations are providing value for money outcomes for Newport's citizens.	Details of collaborations and partnerships are included in the service planning and review process, and through the annual governance statement. A clearer understanding of the councils collaborative activity is now available			
43	Evaluate the new structures of the LSB to ensure that terms of reference are clear, that the groups are inclusive (particularly of third sector and private sector partners), and that roles are not duplicated.	Evaluation consultation period came to an end November 30th 2013. Responses collated and analysed for presentation to LSB Report to be presented to SIP Board February 2014 Partnership Engagement Event held March 2104 Performance Management Framework reviewed and redesigned to simplify processes and ensure accountability and challenge	Recommendations made to the LSB in May 2014 for implementation during 2014-15	Closed down May 2014	Head of People and Transformation
44	Clarify timescales for updating and reviewing the Unified Needs Assessment and Single Integrated Plan and develop a communication strategy to ensure wider awareness of these key documents. Ensure that the process for selecting priorities is agreed, clear, transparent and widely communicated.	Consultation and communications events held with officers and wider partnership during March 2014 as part of wider Information plan and to agree priorities Regular newsletters provided on One Newport activities	Quarterly engagement events are being undertaken based on themes from the SIP to ensure continued information exchange with partners (latest held July 2014) Continue the delivery of specific third sector sessions through GAVO UNA process now sits within the framework for development of ward profiles	Closed down March 2014	Head of People and Transformation

Ref	Proposal	Progress update to the end of December 2014	Actions planned next quarter	Expected close down date	Responsible Officer
45	<p>Strengthen the LSB's performance management framework to set out:</p> <ul style="list-style-type: none"> • clearer and more detailed roles and responsibilities on what will be delivered by which organisations; • what performance information will be collected, where and when it will be monitored, and how progress and performance will be monitored; • mechanisms for dealing with underperformance; and • a stronger focus on performance and resource management across the LSB. 	<p>The mechanism for dealing with underperformance is firstly the SIP Board within their responsibilities to manage the delivery of the SIP and if this fails it is escalated to the LSB.</p> <p>One Newport Local Service Board produced the first Annual Report detailing work undertaken during 2013/14 and this was presented to Scrutiny in June 2014</p> <p>Review of the Performance Management Framework following year 1 of the SIP. This has led to the development of a revised Performance Management Framework.</p> <p>LSB meeting schedule changed so that there is better alignment for performance monitoring arrangements.</p> <p>Tighter processes for Peer Review introduced.</p>	<p>Undertake three engagement events with partners and members in March 2015 to assess progress being made and agree priorities for the coming year.</p> <p>Undertake further evaluation of engagement, systems and processes</p>	This will be on going as part of a culture of continuous improvement.	Head of People and Transformation
46	Maintain the increased momentum of the Neighbourhood Working project and ensure that its planned impact on communities and citizens is achieved.	<p>First Area Partnership meeting held in September 2013 to agree priorities and develop ideas for action plan. Action underway regarding Anti-Social Behaviour, Legal Highs and Family Engagement. All Ward Profiles are complete.</p> <p>Utilisation of lessons learnt within</p>	Pilot project evaluation report will be presented to the SIP Board for further recommendations to LSB and NCC	March 2015	Head of People and Transformation

Ref	Proposal	Progress update to the end of December 2014	Actions planned next quarter	Expected close down date	Responsible Officer
		<p>development of team around the cluster model</p> <p>Report accepted by LSB in November 2014 to acknowledge learning, accept recommendations and close project down. Further work will be taken forward as part of the Team Around the Cluster Project (TAtC), utilising data from the Ward Profiles.</p>			

Proposals for Improvement from the Review of Transformation Programme
June 2013

<http://www.newport.gov.uk/stellent/groups/public/documents/report/cont718071.pdf>

Page 24

Ref	Proposal	Progress update to the end of December 2014	Actions planned next quarter	Expected close down date	Responsible Officer
47	<p>Co-ordinated and strategic approach to change, efficiency and effectiveness</p> <p>P1 Develop a more strategic, coherent and outcome focused approach to transformation by:</p> <ul style="list-style-type: none"> <input type="checkbox"/> establishing a clear strategic vision and aims for what the programme seeks to achieve; <input type="checkbox"/> ensuring that the programme incorporates all relevant activity needed to support what it is trying to achieve; <input type="checkbox"/> developing mechanisms to effectively engage with service users and other stakeholders to better understand their needs and using this information to inform the 	<p>Completion of “Prospectus for Change” (Change Programme) which details a clear destination and route map for the organisation agreed by cabinet in October 2013.</p> <p>Approval of the 14/15 Council budget and change programme.</p> <p>Review of next iteration of the “Prospectus for Change” (Change Programme) in light of new financial challenge from the Welsh Government.</p> <p>The Change programme encompasses all Council activity including cross cutting and enabling initiatives</p>	The council consider this proposal for Improvement to be complete.	March 2015	Head of People and Transformation

Ref	Proposal	Progress update to the end of December 2014	Actions planned next quarter	Expected close down date	Responsible Officer
	<p>programme;</p> <ul style="list-style-type: none"> <input type="checkbox"/> ensuring that the programme provides an effective mechanism to help the Council deliver its priorities and improvements; and <input type="checkbox"/> ensuring appropriate staff capabilities and capacity to take the programme forward. 	<p>Engagement with key internal groups using a variety of social media, direct e-mail contact, websites etc to inform, educate, consult and gain feedback on the new financial challenges faced by the Council and the identification of opportunities for service delivery and closure of the financial gap. The feedback received will be used to develop and enhance the programme,</p> <p>On-going recruitment process for Change Programme and Project Managers from a ring fenced Invest to Save fund designed to cover the programme until 2017. Invest to save fund updated to enable the implementation of the 15/16 Change Programme and the development of initiatives for 2016/17 onwards .</p> <p>Reviewing options for external support for the forward change programme. These are now determined and incorporated into the updated Invest to Save fund.</p> <p>Development and implementation of revised governance, progress monitoring and benefits realisation arrangements.</p> <p>Closer alignment of performance and improvement by the incorporation of performance into</p>			

Ref	Proposal	Progress update to the end of December 2014	Actions planned next quarter	Expected close down date	Responsible Officer
		<p>the Council's Improvement/Change function.</p> <p>On-going delivery of Project Management and Change Management courses across the council.</p> <p>Further development of the "Prospectus for Change" in line with the budget setting process to ensure the revised financial targets are met and the ideas for both internal and external consultation are incorporated into the overall programme.</p> <p>Further development and implementation of Stakeholder engagement at the individual project level and at the programme level to align with the 15/16 budget setting process.</p> <p>Completion of the 2015/16 Change programme and sign off of the 2015/16 MTRP at the Cabinet in February 2015.</p> <p>Implementation of the communication and engagement plan for the development of the 2015/16 Change programme complete.</p>			
48	Promote greater awareness of the programme	The consistent terminology to describe the programme is the	The council consider this proposal for Improvement to be complete.	March 2015	Head of People and

Ref	Proposal	Progress update to the end of December 2014	Actions planned next quarter	Expected close down date	Responsible Officer
	<p>P2 Raise the profile and promote greater awareness of the programme and what it aims to achieve by:</p> <ul style="list-style-type: none"> <input type="checkbox"/> clarifying the terminology used to describe the programme and using this consistently in all internal and external communication; <input type="checkbox"/> clearly communicating the aims and scope of the programme to staff, councillors and externally to stakeholders; <input type="checkbox"/> promoting the programme (and its achievements), for example on the Council website and in newsletters, together with inviting comments and feedback; <input type="checkbox"/> promoting ownership of the programme through staff appraisals, training and development; and <input type="checkbox"/> consider the introduction of change advocates at service level to act as a catalyst for bringing forward new ideas and promoting new ways of working. 	<p>Change programme. This is now used to communicate with all stakeholders and is incorporated into the budget setting communication plan,</p> <p>The Change programme has been communicated to a wide range of internal and external stakeholders via a range of channels and comments and feedback received.</p> <p>Development of the budget setting communication and engagement strategy for 15/16. This includes relevant communication and engagement/consultation with key internal and external stakeholders. This is now complete for the budget setting process.</p> <p>Delivery of initial communications for the 15/16 period with internal and external stakeholders regarding the budget setting process and revision to the change process necessary to underpin the financial and non-financial targets.</p> <p>Change programme awareness now incorporated into the staff inductions.</p> <p>Heads of Service identified as the key change advocates within each of the service areas and have acted as the catalyst within each of the</p>			Transformation

Ref	Proposal	Progress update to the end of December 2014	Actions planned next quarter	Expected close down date	Responsible Officer
		<p>service areas for the development of the Change programme.</p> <p>Communicate , promote and engage with all key stakeholder in line with the communication and engagement strategy. For the 15/16 budget setting process.</p>			
49	<p>New focus on service improvement and value for money</p> <p>P3 Instil a new focus on service improvement and value for money by:</p> <ul style="list-style-type: none"> <input type="checkbox"/> clarifying the extent of improvement the Council wants to make through the programme and supporting this with appropriate measures and targets to monitor progress, particularly focusing on service quality, performance, customer experience and the difference the Council wants to make to the lives of local citizens; <input type="checkbox"/> jointly reporting savings and performance information to help evaluate the impact of the programme on service performance and assess whether value for money is improving; <input type="checkbox"/> continuously challenging performance through benchmarking with other councils and service suppliers and integrating this with programme monitoring and reporting; 	<p>Performance team now merged into the Council's Business Improvement function.</p> <p>Alignment of the Change Programme, Budget and Performance reporting to relevant boards,</p> <p>Improvement measure and target developed for the Change programme and incorporated into the Council's performance management framework and reporting mechanisms.</p> <p>Change Programme reporting dashboard incorporating performance, savings and budgetary Information reported monthly to the Change Programme Board and the Cabinet Member.</p> <p>High level portfolio and all council dashboards bring together finance, performance and change information along with people related information and risk management</p>	<p>Develop appropriate improvement measures and targets for individual initiatives and monitor using existing governance processes and mechanisms.</p> <p>Identify appropriate Benchmark comparators and incorporate within the Change Programme reporting process.</p>	ongoing	Head of People and Transformation

Ref	Proposal	Progress update to the end of December 2014	Actions planned next quarter	Expected close down date	Responsible Officer
	<p><input type="checkbox"/> developing more consistent mechanisms to obtain feedback from users and using this to take corrective action and inform future changes to service delivery; and</p> <p><input type="checkbox"/> continuing to develop a performance culture in which service managers are accountable for service performance and efficiency.</p>	<p>Social media “Yammer” being utilised internally to gain feedback from users across the Council.</p> <p>Development of performance culture – Embed review of performance into the service area management meetings- Social Services, streetscene, Regeneration and Regulatory Services, CLL and Education..</p> <p>Through project governance processes service users are consulted on proposed changes to service delivery and feedback is used to inform the direction of future activity.</p> <p>Increased alignment of the Change programme with the Councils performance framework.</p> <p>Staff involved in budget consultation process and underlying change programme proposals</p>			
50	<p>Learning and evaluation</p> <p>P4 Strengthen the arrangements to capture and share learning by:</p> <p><input type="checkbox"/> more consistent evaluation of reviews at key stages and on completion;</p> <p><input type="checkbox"/> strengthening mechanisms to capture, share and apply learning on a corporate basis; and</p>	<p>Gateway review process and post implementation reviews defined as part of the Newport Programme and Project Management methodology.</p> <p>Lessons Learned log completed and circulated to key stakeholders for the Budget setting process and development of the Change programme for the 14/15 financial</p>	<p>Complete lessons learned report for 2015/16 budget setting process.</p> <p>Roll out of the Gateway Review process and post implementation review process across all initiatives within the Change Programme.</p>	ongoing	Head of People and Transformation

Ref	Proposal	Progress update to the end of December 2014	Actions planned next quarter	Expected close down date	Responsible Officer
	<input type="checkbox"/> establishing mechanisms to systematically obtain post-implementation feedback from staff and managers, for example to assess the impact on staff capacity, identify training and IT needs and learn from their experience.	<p>period</p> <p>Lessons Learned log completed for the Norse Property Joint Venture, Street cleansing and Refuse.</p>	<p>Ensure adherence to the gateway review process and post implementation review process by embedding within the governance process for the Change programme.</p> <p>Review options for disseminating and apply learning on a corporate basis</p>		

Ref	Proposal	Progress update to the end of December 2014	Actions planned next quarter	Expected close down date	Responsible Officer
54	<p>The Council should address gaps and weaknesses in its data quality arrangements and ensure that they are consistently adopted across the Council, in particular:</p> <ul style="list-style-type: none"> <input type="checkbox"/> ensure an up-to-date list of data compilers is available to appropriate officers; <input type="checkbox"/> undertake refresher training for data compilers and other appropriate officers; <input type="checkbox"/> clarify roles and responsibilities of officers in data quality arrangements including the timing of Internal Audit's involvement; 	<p>The Operational Performance Network met on 12th November. Topics discussed at the meeting included a self-assessment and DQR presentation, details on updating local definitions and self-assessments along with the timescales for their completion, additional training needs and FAQs. There was also a self-assessment 'surgery' and round table where the group shared issues around self-assessments, etc. New local definition forms to be available and uploaded on the Virtual Library (November).</p>	<p>Chaser of any remaining self-assessments to be conducted at the end of February.</p> <p>An OPN meeting to be set up end of Feb/beginning of March as the virtual library which retains all the performance documents (including self-assessments and local definitions) will be decommissioned in March. The IT service will be attending the meeting to train members on the new SharePoint provision which will store this data in future.</p>	Though next DQR report	Head of People and Transformation

Ref	Proposal	Progress update to the end of December 2014	Actions planned next quarter	Expected close down date	Responsible Officer
	<p>□□develop, agree and communicate the processes for:</p> <ul style="list-style-type: none"> – establishing new performance measures; – amending performance measure definitions; – ensuring performance measure definitions are consistently and accurately described; – addressing audit amendments and qualifications; and – amending outturn figures after initial submission to the Welsh Government. 	<p>Due to additional staff changes there are new members of the OPN and a refresher of roles and responsibilities was given at the November meeting.</p> <p>Self-assessments timescales: NSI, PAM completed by December 2014 and the remainder by the end of February 2015.</p> <p>New compiler and review details to be supplied via OPN contacts and uploaded to the (virtual library/SharePoint – TBA)</p> <p>Regular updates/alerts fed to the OPN and others via the Performance Network pages on Yammer.</p>	<p>The next OPN meeting will outline tentative submission dates for 2014/15 data and discuss the proposed performance ‘cycle’ for the year ahead.</p>		

Improvement Assessment Letter 2
February 2014

Ref	Proposal	Progress update to the end of September 2014	Actions planned next quarter	Expected close down date	Responsible Officer
56	<p>Ensure that the Council’s overall statements and red, amber green ratings evaluating its success in achieving its improvement objectives are signed off through the appropriate officer and member governance</p>	<p>Overall assessments for the November Improvement Plan update report (Q2) onwards are discussed and agreed with each of the lead officers for the Improvement Objectives</p>	<p>Overall assessments and evaluation for this report were agreed by each of the lead officers and an overview of progress as a whole was discussed at the Change and Efficiency Board meeting (Directors and Heads of</p>	<p>November 2014 (IAL2) Completed</p>	<p>Head of People and Transformation</p>

Ref	Proposal	Progress update to the end of September 2014	Actions planned next quarter	Expected close down date	Responsible Officer
	mechanisms.		Service present)		
57	Ensure that the data in the Year End Review is correctly stated and consistent with reported data.	This is an annual event. Year end data is reported in July and the Year end Review will be published by 31 st October 2014		November 2014 (IAL2) Completed	Head of People and Transformation

Recommendations from the Corporate Assessment received in October 2013

Recommendation 1

R1 The Council should ensure that members are provided with robust information at the earliest opportunity to enable them to inform, take and challenge choices and decisions effectively, and ensure that they are recorded and reported transparently. This includes the provision of:

- Options appraisals.
- The implications of the options, recommendations and decisions.
- Fully costed business cases prior to initiating major programmes to support change. The financial impact of any significant proposed service changes should be reflected in medium-term financial plans directly where the change is certain to proceed or as a sensitivity if the change is not certain.

Progress to date:

- Responding to this recommendation is not the responsibility of one particular service area, it has implications for various people across the organisation.
- All Heads of Service are seen to have a role in providing members with robust information and in response to the Corporate Assessment this is now being addressed through the business planning process
- The Scrutiny Team are seen to have a role in raising awareness among officers of the procedures that are in place for reporting to members and challenging whether they are being adhered to (options, implications, recommendations and decisions).
- The Business Improvement Team are seen to be responsible for ensuring that fully costed business cases are developed
- The Report Template is to be amended to include options, appraisals and implications by the end of 2014 to coincide with the introduction of a new Document management process. The challenge will be ensuring compliance.

Future actions:

- Future compliance checking is to be carried out.
- The process developed for this years budget setting process will be reviewed and refined and will form the basis of the Council's approach to challenge and assure business cases using the gateway review process as the framework

Recommendation 2

R2 The Council should address with more urgency the weaknesses in its governance arrangements that underpin its decision making to support improvement. This would include:

- R2.1 strengthening committee work programming arrangements to ensure they are timely, meaningful, informative, transparent, balanced, monitored, and joined up;

- R2.2 reviewing and updating the Council's constitution ensuring that roles, responsibilities and accountabilities are clear, and that all members understand and apply their respective roles in relation to each other without compromising independence;
- R2.3 empowering members to be more proactive and accountable for their roles and responsibilities;
- R2.4 strengthening decision-making arrangements to ensure transparency and appropriate safeguards are in place;
- R2.5 strengthening scrutiny arrangements to more effectively inform and challenge policies, options, decisions and actions, and hold Cabinet members, officers, partners and others to account more robustly to drive increased pace of progress and improvement;
- R2.6 strengthening and mandating member and officer development and learning programmes based on competency assessments to improve skills and understanding to enable them to undertake their roles more effectively; and
- R2.7 addressing information security and business continuity arrangements.

Progress to date

- Scrutiny Improvement Group (SIG) established; Regular meetings of the SIG and the Executive are now diarised.
- A development programme based on skills appraisal is being developed by way of the Democratic Services Committee. Meetings are progressing with members and a final report to the Committee is scheduled for February 2015. The Scrutiny Improvement Group is also looking at a programme of development for scrutiny members;
- The Scrutiny Improvement Group (SIG) Action Plan contains some twenty actions which are included in the SIG programme of work. Good progress is being made in implementing these actions and a review of progress was set out in the Scrutiny Annual Report 2014.
- An important feature of the action plan resulted from the Wales Audit Office's National Scrutiny Study. The Scrutiny Improvement Group was set up to implement this plan and to drive forward the improvement programme for Scrutiny.
- One of our most significant achievements this year has been to secure funding through the Welsh Government's Scrutiny Development Fund to hold the "Gwent Scrutiny Challenge 2014 The project started with a high profile, very well attended event on 6 June in the Riverfront Theatre, looking at experiences from the Mid-Staffordshire Inquiry and what lessons can be learned by local government about the quality of challenge within our organisations. We are now planning a series of training events within each authority to look at how the lessons can be applied and our skills improved
- The Composite Work Programme (CWP) continues to be used as an on-going programme and informs the work programme of the Council, Cabinet and Scrutiny Committees.
- A new generic model constitution has been developed by a group of lawyers for use in Local Government. There has been some delay in producing this document but it should be available late in 2014. Democratic Services Committee is taking the lead on this work and will use the model constitution to facilitate an overall review of the constitution as opposed to previous piecemeal approaches; The review and update of the constitution is now unlikely in 2014. The next phase of ensuring understanding and application will take place in 2015;
- A progress report on the development programme based on skills appraisal that is being followed by a small number of members was produced in July 2014. Based on the findings of this report the Democratic Services Committee agreed to further develop the programme; a final report on the process is to be considered by the DSC in February.
- A document that clarifies roles and responsibilities and standards for decision making and the relationships between the Executive and Scrutiny has been produced and considered by the joint meeting of the Scrutiny Improvement group and the Executive.

- Information Governance Group established ([Annual Risk Report](#) refers). The group is constituted, has met and the meetings have been minuted and have Terms of Reference: and a report containing proposals and action plan.

Future Actions:

- Composite Work Programme (CWP) will be produced as an on-going programme from summer 2014;
- A new generic model constitution is being developed by a group of lawyers for use in Local Government. This document will be available later in 2014. Democratic Services Committee is taking the lead on this work and will use the model constitution to facilitate an overall review of the constitution as opposed to previous piecemeal approaches;
- The review and update of the constitution is planned to be completed by the end of 2014. The next phase of ensuring understanding and application will take place in 2015;
- A progress report on the development programme based on skills appraisal that is being followed by a small number of members was considered by the Democratic Services Committee in July 2014. Based on the findings of this report a decision was taken to extend or further develop the programme;
- Produce document by autumn 2014 that clarifies roles and responsibilities and standards for decision making and feed this into the planned review of the constitution;

Recommendation 3

R3 The Council needs to quickly address weaknesses in its strategic financial planning and management to ensure that it is able to deliver its planned improvements. In doing so, the Council needs to:

- R3.1 strengthen medium-term financial planning with fuller consideration of demographics, projections and priorities as well as the management of risks that are linked to the risk register(s);
- R3.2 the delivery of financial savings needs to be monitored and reported more effectively at a corporate level as well as the investments being made to improve/maintain services;
- R3.3 strengthen the status of financial management at a strategic level and ensure that responsibility is aligned to corporate objectives and accountabilities; and
- R3.4 ensure there is sufficient challenge to ensure that savings/investment plans are delivered and any budget overspends are highlighted and addressed by early intervention.

Progress to date:

- There is now fuller consideration of demographics projections and priorities within the MTRP which was in place for the MTRP agreed in February 2014 and the subsequent medium term Change/Efficiency programme. The risk register has been reviewed and potential pressures have been identified for incorporation into the MTFP as part of the scene setting in September 2014 Cabinet – for 2015/16 budget
- Investments in the context of using reserves to fund invest to save decisions are agreed and signed off by both SLT and Cabinet. Savings are monitored through the on-going Financial Budget Monitoring process. The outcomes from this process are reported to SLT and the Change and Efficiency Board on a monthly basis by the Business Improvement Team. There are project management arrangements in place for the overall budget process.

- The Cabinet receives quarterly reports from the budget monitoring process that includes savings. The Annual Statement of Accounts makes explicit reference to savings.
- To strengthen the status and enhance responsibility and accountability summary reports to Cabinet and SLT now contain commentary from Heads of Service. This also helps to raise awareness of the financial position across the Council by ensuring that it is not perceived as a central issue but is linked to service delivery. Financial Management now greater part of strategic decision making and has more active role in determining remedial action to address overspends compared to the more passive monitoring that used to take place.
- Challenge is provided through consideration of summary budget monitoring reports by the Change and Efficiency Board, SLT and Cabinet. Challenge is increasingly focused on early intervention to prevent overspends occurring and recurring. There is now early identification of the risks of overspend with an accompanying explanation of what Heads of Service are doing to address any overspend and prevent recurrence through a timetabled set of actions.
- More explicit linkage to risk register from September 2014.

Planned future action:

- Necessary financial modelling tools (projections) to be developed by end of 2014.

Recommendation 4

R4 The Council should address weaknesses in its people management arrangements with more urgency to tackle long-term deficiencies to ensure it has the capacity and capabilities necessary to change and improve. In doing so, it should:

- R4.1 ensure that the 360° appraisal process is fully integrated into its arrangements to manage staff performance and development;
- R4.2 establish an integrated workforce and succession plan to support and develop the Council's current and future workforce to meet the organisational need;
- R4.3 address its longstanding organisational development deficiencies;
- R4.4 address manager capacity and capability to manage, both in terms of basic core management skills and in managing the performance of their staff;
- R4.5 establish much clearer and better communicated recruitment and retention strategy linked to workforce development, talent management, personal development and training; and
- R4.6 continue to improve the management of sickness levels, focusing on the areas where there is least improvement.

Progress to date:

- The Council is committed to the 360 process at Head of Service (HoS) level and above. All appraisals have been completed for 2013-14. At HoS level improvement actions are now being picked up in individual development plans.
- People Plan 2013-17 has been produced with reference to the Council's workforce and organisational needs. This Plan was approved by Cabinet in August 2013.
- Organisational Development (OD) team has changed. There is now extra support for strategic planning. Key priorities have been identified within a 12 month OD team plan (Business unit plan)
- A planned range of evaluations for learning and development interventions over 2014, one of the main sources of data will be the employee survey.

- a recruitment and retention strategy for social services based on the challenges faced on an on-going basis is in place and this is being used to pilot a specific recruitment and retention strategy.
- The Council has a sickness absence strategy in place and the overall picture is a constantly improving one with dedicated resources being deployed to work on this issue. The Council is concentrating on the most problematic area which is that of long-term sickness absence through targeting the top 10 long-term absentees in each service area and providing support for a return to work or considering terminating employment.
- Undertaken an external Investors in people assessment to further investigate weaknesses and strengths in relation to people management arrangements and to action plan priority areas
- Workforce development plan in draft

Recommendation 5 - No further action required

Recommendation 6

R6 Put in place arrangements that enable the Council to formulate, scrutinise, approve and publish its improvement objectives in a timely way to meet its statutory obligations under the Measure. In doing so, the Council should:

- R6.1 Develop a more comprehensive, open and transparent approach to public reporting.
- R6.2 Ensure that internal reporting is systematic, regular and getting to the right groups with a stronger focus on priorities.
- R6.3 Develop a clear and agreed approach to prioritisation of improvement objectives and the development of measures for these improvement objectives that involve scrutiny members at an early stage and a stronger approach to consultation.
- R6.4 Enable members to effectively challenge and scrutinise service performance:
 - R6.4.1 clarify the respective roles of Performance Board and scrutiny;
 - R6.4.2 ensure that both groups receive regular, high-quality, priority-focused performance information;
 - R6.4.3 ensure that meeting agendas allow for sufficient time for members to focus on (broad) underperformance in both; and
 - R6.4.4 provide training on effective challenge and scrutiny for members.
- R6.5 Further embed the approach to business and service planning and ensure that corporate and single integrated plans are included.
- R6.6 Improve the corporate approach to risk management.
- R6.7 Improve target setting to better reflect the service/performance standards the Council wants to achieve and ensure resources are allocated to deliver desired standards through the Medium-Term Financial Plan.

Progress to date:

- **Public reporting is now more comprehensive, open and transparent.** The Improvement Plan for 2014-15 was produced on time and covered more extensively in the Council newsletter '*Newport Matters*'. The Improvement Plan has been distributed in hard copy to Council facilities eg libraries and extracts are on display in public spaces eg the reception area in the Civic Centre.

- **Internal reporting is now systematic, regular and getting to the right groups with a stronger focus on priorities.** There is monthly reporting of NSIs PAMs and Improvement Plan measures by all Heads of Service. The data from all service plans is collated into a dashboard for SLT and summarised for the Change and Efficiency Board. Quarterly reporting on the Improvement Plan is considered by Cabinet and mid-year and end of year service plan reviews are considered by Scrutiny Committees.
- **The Council has developed a clear and agreed approach to prioritisation of improvement objectives and developed measures for these improvement objectives that involve scrutiny members at an early stage and a strong approach to consultation.** Consultation on Improvement Objectives was undertaken in December 2013 including consultation with the public, scrutiny committees and the Fairness Commission. A decision was then taken by Cabinet in January 2014 to agree the selection of Improvement Objectives for 2014-15. The detail of these objectives was considered by Scrutiny in February and March with further review by the Performance Board at the end of March. The final plan was approved by Cabinet and Council in April 2014. This approach will be continued in future years.
- **The respective roles of Performance Board and scrutiny have been clarified.** Members of Cabinet and Scrutiny met to discuss their respective roles in March 2014 and the roles of Performance Board and scrutiny was clarified at the Performance Board meeting in March 2014.
- **Both Performance Board and scrutiny receive regular, high quality, priority-focused performance information.** Performance Board meet quarterly and receive regular concisely reported monitoring information on each Improvement Objective contained within the Improvement Plan and also receive information on overall Council performance. Half yearly and end of year service plan reviews are considered by Scrutiny Committees.
- **Meeting agendas allow for sufficient time for members to focus on underperformance.** Meeting agendas for Performance Board are now prioritised to assess both 'looking forward' and 'looking back'. The latter is a mechanism to highlight underperformance and ensure that sufficient time is available to consider and address the underlying causes. The setting of appropriate agendas is complemented by timely briefing meetings with the Leader.
- **The Council is improving the training it provides to members on effective challenge and scrutiny.** The Democratic Services Committee has considered a schedule of member development activities and recognised that much of the training events were knowledge based rather than concentrating on the skills members need to fulfil their various roles. This is now being addressed and the Organisational Development Team is assessing the benefits of developing a programme based on needs identified by members. An initial report is to be considered by the Committee in July. The Scrutiny Improvement Group will examine the needs of members of scrutiny committees within its programme of work.
- **The Council has further embedded the approach to business and service planning and ensured that corporate and single integrated plans are included.** Service plans for 2014-15 have been based on more explicit guidance around demonstrating 'linkage'. Plans now include clear linkage to corporate plans and the link between the Single Integrated Plan and the Corporate Plan has also been made more explicit.
- **The Council is progressing work to improve the corporate approach to risk management.** Work is on-going to improve corporate risk management arrangements. A revised risk management strategy was considered by Cabinet and Audit Committee in May 2014 and an updated Corporate Risk Management Strategy and Register was agreed by Cabinet in September. This report was also considered by Audit Committee in September and the Risk Register will be updated quarterly.
- **Target setting reflects the standards the Council wants to achieve and resources are allocated to deliver desired standards through the Medium Term Financial Plan.** There is clear alignment between target setting within business plans and the Medium Term Financial Plan The targets and the allocation of resources reflect the Council's ambition and priorities in relation to decision to both invest to save and disinvest.

Summary:

There appears to have been very good progress in addressing this lengthy and far-ranging recommendation. Most parts have been met in full and would fall into the category of 'no further action'. The work that needs to be done to meet the whole of the recommendation in full can be summarised as developing and implementing a skills based training programme for members

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Note for Audit Committee – 19th March 2015

Consultation on the White Paper – Reforming Local Government: Power to Local People

The White Paper

The Welsh Government recently published a Local Government white paper which sets out wide reaching proposals for reform in the following fields: local democracy, the roles and remuneration of elected members and senior officers, community governance and community councils, community rights, corporate improvement, service performance, scrutiny, audit, inspection and regulation, and local government finance.

Welsh Government are consulting with Local Authorities, the public and other interested parties on the proposals described in the White Paper. Officers and Members from across the council are currently preparing a response and the views of Audit Committee are requested to inform the consultation. Views are welcome on the section specific to the proposed changes to the role of Audit Committee and also on proposals in the wider paper.

The White Paper can be found at the following link
Specific Audit Committee references can be found in Chapter 6
[Welsh Government White Paper webpage](#)

Timescales

Newport City Council's response to the consultation will be considered by Cabinet on 13th April and by Council on 28th April before being submitted to the Welsh Government.

Consultation Responses

Through the consultation on the White Paper the Welsh Government ask 318 specific questions about their proposals. Questions 136 to 139 refer to the role of the Audit Committee and are included below for reference. The views of the committee over and above the specific questions will be captured as part of the minutes and included as part of the consultation response.

Corporate Governance

To what extent do you agree with the following statements:

136 The proportion of independent members sitting on a Local Authority's Audit Committee should be increased

Strongly agree / agree / Neither agree or disagree / disagree / strongly disagree

137 The Chair of a Local Authority's Audit Committee should be an independent member

Strongly agree / agree / Neither agree or disagree / disagree / strongly disagree

138 What proportion of the Audit Committee should be independent?

At least 2 people / 1/4 of the Committee / 1/3 of the Committee / Other / Don't Know

139 What is the rationale for your answers?

--

Excerpt from Section 6.4 from the White Paper

6.4 Managing Improvement

“Repeal of Part 1 of the Local Government (Wales) Measure 2009 would require the strengthening of Local Authorities’ corporate governance arrangements, including the role of the Audit Committee. We therefore propose to amend the Local Government (Wales) Measure 2011 to clarify the responsibilities and remit of Audit Committees, rename them Corporate Governance and Audit Committees, and expand their independent membership, including requiring that they be chaired by a suitably appointed independent person. The Audit Committee will be a powerful force to assist Chief Executives of Local Authorities to discharge their new statutory improvement functions, set out in 3.13 and below, in order to provide the Executive with assurance that the Authority is well run and has the systems and procedures in place to secure continuing improvement.

We are proposing that in order to discharge their improvement functions, the Chief Executive should be required to undertake an annual self-assessment of the Authority’s corporate governance and service performance, and to provide a report to the Leader on matters of concern. The report should include how the Chief Executive has taken action in response to reports of the Audit Committee, self-assessment and peer review, and is to be published. We are also proposing the Chief Executive should in addition make arrangements every two years for a peer review to be undertaken, in order to provide external challenge to the self-assessment process.

These proposals would implement our policy objective of ensuring Local Authorities are accountable to Elected Members and the public for their performance and improvement, based on sound corporate governance and independent challenge. The proposals also clarify the distinction in roles between the Executive and the senior management of the Authority.”

Excerpt from Section 3.13 from the White Paper

3.13 The Role and Responsibilities of the Chief Executive

“We believe Local Authorities must have a Chief Executive and that this person must be designated the Head of Paid Service. This requirement should not prevent a Chief Executive from being appointed jointly by two or more Local Authorities. In addition, as part of ensuring local accountability for performance and improvement, we propose to put five specific duties on the Chief Executive to:

1. make arrangements to prepare and publish a corporate plan;
2. make arrangements to prepare and publish annual self-assessments of corporate improvement and service performance;
3. commission a peer review every two years and prepare a report for the Council on actions to be taken following the recommendations of the peer review;
4. put in place a performance management system for all employees of the Local Authority; and
5. promote engagement and diversity in democracy.

The purpose of these duties is to ensure the effective governance of Local Authorities and to provide the Council with a sound basis for judging the performance of the Chief Executive. The first three are discussed in detail in Chapters 6 and 7 below. The requirement for a performance management system, linked to the corporate plan, is self-explanatory.”



Report

Audit Committee

Part 1

Date: 26th March 2015

Item No 07

Subject Pay Reserve

Purpose This report sets out the funding and use of the Council's Pay Reserve, since its inception in March 2012

Author Head of Finance

Ward N/A

Summary The Council established its pay reserve in March 2012 for the purpose of funding Equal Pay settlement costs and the team involved with delivering this project. The position regarding the actual level of funding required has not been known with absolute certainty or even the funding sources to fund these costs and therefore the planning of the reserve has been affected by this unavoidable uncertainty. As the project and costs and funding sources have become more certain, the reserve has been adjusted as appropriate to current levels. It is envisaged that the final costs related to Equal Pay will be paid out in 15/16 and the reserve will also fund one off costs related to Total Rewards, over the financial years 15/16 and 16/17 mainly.

Proposal That Audit Committee note the report and information requested

Action by There are no specific actions stemming from this report

Timetable n/a

This report was prepared after consultation with:

- Head of People and Transformation

Signed

Background

1. Following the completion of the 2013/14 accounts and progress on the Council's Total Rewards/Equal Pay projects, the Audit Committee requested background information on the Council's Pay reserve, specifically costs related to these projects and the use of the reserve to date. A verbal update was provided to the Committee previously on the above but given the volume and complexity of the issue, a written report was requested.
2. The reserve was established initially in March 2012 and in all published financial accounts since establishment has been called 'Pay reserve' with a note explaining its use, as follows: "established to fund potential pay liabilities in future years". In the Cabinet revenue budget outturn reports since its establishment, reference to its uses has included Equal Pay, Total Rewards team and Total Rewards project and one –off costs on Total Rewards.

As part of the 2013/14 outturn conversations with the Audit Committee, the pay reserve was discussed in the context of funding 'equal pay' and its use for Total Reward was not made clear. As noted above, the reserve has always been described as a 'Pay Reserve' in general terms with use for 'potential pay liabilities in future year's' whilst the Council's Cabinet reports have always described its use as wider than equal pay, though set up initially with that issue in mind as it was the main focus of the Total Reward project at that time. Indeed, the Total Reward' project has always been a generic project name for the Council's solution to both equal pay and new pay and grading framework as both are linked.

3. The reserve was established at c£6.5m at end of 2011/12, increased to c£9.6m at end of 2012/13 and reduced down to c£6m at end of 2013/14 financial years. These changes show the key challenges in planning this reserve, namely:
 - The amount of the Equal Pay settlement. Clearly, this has been subject to long and intense negotiation and a balance found between acceptable settlements and affordability. It is only towards the end of negotiations that any certainty is known.
 - Timing has been challenging and the timescales for settlements of equal pay and Total Reward have slipped from original plans
 - Funding sources for Equal Pay was not known with certainty until the year of settling these costs - mainly 2013/14. This is because Councils are allowed to 'capitalise' the equal Pay costs, following specific 'permissions' from WG to do so, in the year of incurring the costs. We always knew that there was a cap on the value of these permissions across Wales in total and a number of Councils were finalising their own settlements and therefore the availability or subsequent value to Newport was not certain. Cabinet reports always flagged up this uncertainty and the need to keep all options open until there was certainty on values, timing and access to potential 'capitalisation' approvals.

In broad terms, the reserve was built up over the first 2 years (2011/12 – 2012/13) based on funds available to do this and the potential need for the reserve to fund the majority of costs of 'equal pay', in so much that it could and therefore maximising the reserve, within affordability and other issues was a key consideration. The funds used to build up the reserve came from

- (i) utilising Council wide under-spending
- (ii) the base budget established for the new pay/grading framework costs which were not required at these times and were available to put into reserves.
- (iii) Any surplus funds on other reserves which, in the round, were available to put into this reserve.

As the main settlement of Equal Pay occurred in 2013/14 and permission was given to capitalise equal pay costs, a major liability on the reserve was dealt with in this way without the need of the reserve and in addition, more certainty was available on the new pay/grading framework. Given

these, it was reduced in 2013/14. At this point in time, we will soon be closing the 2014/15 accounts and the known liabilities on the reserve are:

- Final settlements of Equal Pay to those not yet completed
- The Total Rewards team within HR who have dealt with Equal Pay and Pay/Grading framework
- Pay protection to those adversely affected by Total Reward outcomes – for 2 years,

In closing the accounts for 2014/15, we will ensure that a very clear statement is included within the reserves section of the report on what the 'pay reserve' reserve needs to fund within this Total Rewards project to ensure it is clear.

4. The following tables provides summary information on some of the costs incurred in the 2 projects of Equal Pay and Total Rewards

Total Rewards/Equal Pay Team

The costs for the Total Reward team by the end of the 2015/16 financial year are estimated to be £2.32m. This includes staff costs of £1.55m and legal, consultancy & other non-staff costs amounting to £0.77m.

These costs have been charged against the Pay Reserve each year (£1.49m by the end of 2013/14) and the annual costs are shown in the table below:

Financial Year	£'000s	Note
2010/11	105	
2011/12	330	
2012/13	525	
2013/14	530	
2014/15	420	estimated
2015/16	410	estimated
Total	2,320	

Equal Pay Settlements

Financial Year	£'000s	Note
2013/14	4,089	actual payments
2014/15	658	actual payments *
2015/16	400	estimated payments
Total	5,147	

* actual payments in 2014/15 are £658,000 but the 2013/14 accounts included a creditor of £310,000 so only £348,000 will be chargeable to 2014/15 accounts.

Total settlement payments to date include £1.067m paid to HMRC.

Main bulk of settlement, incurred in 2013/14, was 'capitalised'. Cabinet have already agreed that the HoF may use 2014/15 capital receipts to fund equal pay costs, as is now allowed under new WG

regulations and the impact of this on the reserve balance at the end of the 2014/15 financial year will need to take this into account.

Pay Reserve – current position

The Pay Reserve balance at the 31st March 2014 was £5.946m. This is earmarked to cover various costs as shown below together with the current estimate of likely future costs.

	Bal as at 31/03/2014	Anticipated future costs	Difference to reserve
	£'000s	£'000s	£'000s
TUPE / Other settlements	1,000	748	252
Bridging payments *	500	500	0
One-off implementation costs	3,500	3,300	200
TR team costs	946	830	116
	5,946	5,378	568

* the bridging payments from equal pay settlements paid up to 30th June 2014 can only be calculated once the terms of payment are finalised with the Trade Unions

As can be seen, the current balance is more than sufficient to pay known liabilities although a degree of uncertainty is inevitable. The current balance is not too unrealistic and will be reviewed at 31 March 2015 and which now will take into account how 2014/15 and 2015/16 equal pay costs can now be funded from current year capital receipts.

Financial Summary

Contained above

Risks

The 2 projects here have significant risks and these reduce as the Council has agreed how it will deal with the issues concerned. At this time, there is only a relatively small residual equal pay risk and implementation of the Total Rewards outcomes is imminent.

The risk table refers to funding issues only

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Insufficient funds to deal with Total Rewards	H	L	Regular review of forecasted costs for consideration and use in planning level of pay reserve at end of 2014/15 financial year.	HoF / HoP&T
Insufficient funds to deal with Equal Pay	M	L	As above	As above

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

The Equal Pay and Total Rewards projects are 2 very significant projects which have far reaching consequences on the organisation.

Options Available

To note the report . The level of reserves is a matter for Cabinet, taking the advice of the Council's Head of Finance.

Preferred Option and Why

N/A

Comments of Chief Financial Officer

The author of the report is the HoF and financial issues are dealt within the main body of the report.

Comments of Monitoring Officer

No direct legal issues related to this report

Staffing Implications: Comments of Head of People and Business Change

In October 2010 Cabinet agreed to endorse a Total Reward approach to pay and benefits which included establishment of a project team to scope and develop an equal pay settlement strategy, conduct a comprehensive pay and grading review, and develop flexible benefits.

Both the equal pay settlement strategy and the pay and grading review were essential activities. One managing risk posed by collective litigation, the second seeking to comply with contractual and legal obligations in terms of approach to pay.

The contents of the report in terms of associated costs with each are confirmed.

Comments of Cabinet Member

Report author to confirm that the Cabinet Member has approved the report for consideration by cabinet.

Local issues

n/a

Scrutiny Committees

n/a

Equalities Impact Assessment

n/a

Children and Families (Wales) Measure

n/a

Consultation

n/a:

Background Papers

Revenue budget outturn reports to Cabinet on the 2011/12 – 2013/14 accounts set out the reasons for the use of and setting level of reserves.

Dated:



Report

Audit Committee

Part 1

Date: 26th March 2015

Item No: 9

Subject Annual Governance Statement 2014/15 – First Draft

Purpose To inform and give Members an early opportunity to contribute to the Council's Annual Governance Statement, which will form part of the Annual Statement of Accounts for 2014/15

Author Chief Internal Auditor

Ward General

Summary In order to meet the requirements of the Accounts and Audit (Wales) Regulations 2005, Newport City Council needs to prepare and present an Annual Governance Statement with its Annual Statement of Accounts. This Statement is based on how well the Council meets its own Code of Corporate Governance. A review of Governance is also a requirement of the Local Government Measure.

Proposal To review the first draft of the Annual Governance Statement and provide appropriate comments before recommending its inclusion within the Annual Statement of Accounts.

Action by The Audit Committee

Timetable Immediate

This report was prepared after consultation with:

- Chief Financial Officer
- Monitoring Officer
- Head of People and Business Change
-
-
-

Please list here those officers and members you have consulted on this report.

Signed

Background

1. In order to meet the requirements of the Accounts and Audit (Wales) Regulations 2005, Newport City Council needs to prepare and present an Annual Governance Statement (AGS) with its Annual Statement of Accounts (with effect from 2010/11). The AGS is based on the Council's Code of Corporate Governance. A review of Governance is also a requirement of the Local Government Measure.
2. The Code sets out Newport City Council's approach to achieving and maintaining good corporate governance. It follows guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), and also takes account of the Welsh Assembly Government's 'citizen-centred governance principles for Wales'.
3. Newport City Council (the Council) is by nature, a complex organisation which affects the lives of all citizens in the area: As well as providing a diverse range of services, it also works with partner organisations who provide other public services. The Council's aims and priorities reflect these responsibilities.
4. The Council sees Corporate Governance as aiming to do the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and also the culture and values, by which the Council is directed and controlled and how it accounts to and engages with its citizens.
5. Strong, transparent and responsive governance enables the Council to put citizens first by pursuing its aims and priorities effectively, and by underpinning them with appropriate mechanisms for managing performance and risk. In order to maintain citizens' confidence, these mechanisms must be sound and be seen to be sound.

Governance Principles

6. The Council operates through a governance framework that brings together its legislative responsibilities and management processes with six core governance principles based on those developed by the Independent Commission on Good Governance in Public Services in 2004. These are:
 - Focusing on the purpose of Newport City Council and on outcomes for the community and creating and implementing a vision for the local area;
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens;
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation;
 - Developing the capacity and capability of members and officers to be effective; and
 - Engaging with local people and other stakeholders to ensure robust public accountability.
7. The Council's AGS, shown at Appendix 1, is based around these governance principles and demonstrates how it ensures that its business is conducted in accordance with the law and to proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local

Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

8. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
9. The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
10. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
11. The governance framework has been in place at the Council for the year 2014 / 2015.

Financial Summary

12. There are no financial issues related to this report.

	Year 1 (Current) £	Year 2 £	Year 3 £	Ongoing £	Notes including budgets heads affected
Costs (Income)					
Net Costs (Savings)					
Net Impact on Budget					

Risks

13. If members are not involved in the process of ensuring sound corporate governance the Council could be subject to adverse criticism from the external auditor, currently WAO.

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

14. The Governance framework and arrangements supports all of the Council's priorities and plans.

Options Available

15. (i) That the Annual Governance Statement be accepted and incorporated into the Annual Statement of Accounts, subject to any amendments suggested by the Audit Committee.

Preferred Option and Why

16. Option (1) as it is requirement of the Local Government Measure

Comments of Chief Financial Officer

17. I can confirm that I have been consulted on Annual Governance Statement and have no additional comments.

Comments of Monitoring Officer

18. In accordance with the Accounts and Audit (Wales) Regulations 2005, an Annual Governance Statement must be prepared with the Annual Statement of Accounts, setting out how well the Council complies with its Code of Corporate Governance. The Council's internal governance arrangements are set out in various constitutional framework documents under the umbrella of the Code of Governance. The Code has been prepared in accordance with relevant Guidance and incorporates the six core governance principles developed by the Independent Commission on Good Governance in Public Services. It also reflects legislative requirements and ethical principles of democratic decision-making. Compliance with the Code will ensure that decisions continue to be made lawfully and with propriety and in a fair and transparent manner.

Staffing Implications: Comments of Head of People and Business Change

19. No Human resources or policy implications for this report.

Comments of Cabinet Member

20. Not appropriate.

Local issues

21. No local issues.

Scrutiny Committees

22. Not appropriate

Equalities Impact Assessment

23. Not required.

Children and Families (Wales) Measure

24. Not appropriate.

Consultation

25. Not appropriate:

Background Papers

26. The early draft of the 2015/2016 Annual Governance Statement is set out at Appendix 1.

Dated:

ANNUAL GOVERNANCE STATEMENT 2014/2015

Early Draft

Version Draft 02 March 2015

ANNUAL GOVERNANCE STATEMENT 2014/15

1 This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), the 'Delivering Good Governance in Local Government Framework'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

2 Scope of Responsibility

2.1 Newport City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and to proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

2.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

2.3 The Authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*.

2.4 The code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government', was approved by Cabinet and then Council in July 2013. A copy of the code can be obtained from the Head of Finance. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2005.

3 The Purpose of the Governance Framework

3.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3.3 The governance framework has been in place at the Council for the current year 2014 / 2015, and will be in place up to the date of approval of the statement of accounts.

4 The Governance Framework

4.1 The Council's code of governance has been developed in line with the following principles:

- Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens;
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation;
- Developing the capacity and capability of members and officers to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of the Council's governance framework are as follows:

4.2 The Council's vision is to be recognised as a high performing Council, ensuring the right services are provided to our communities, our councillors and our staff.

4.3 The Council's mission is to improve peoples' lives – providing the best affordable services.

4.4 The Council's Corporate Plan for 2012-2017 "Standing Up For Newport" sets out the 5 year vision for the council. The strategy is set out in the [Corporate Plan](#); these have been adopted as the Council's Improvement Objectives:

- a Caring City;
- a Fairer City;
- a Learning and Working City;
- a Greener and Healthier City;
- a Safer City.

The [strategic planning process](#) shows how the corporate plan fits in with the improvement plan and other key plans and strategies in Newport.

4.5 The [Improvement Plan](#) is the delivery vehicle for the Corporate Plan. The [Improvement Plan summary leaflet](#) highlights what the Council is aiming to do and how it is going to measure its success towards the aims set out above; 10 Improvement Objectives have been agreed.

4.6 The Single Integrated Plan [SIP] [**Cabinet February 2013**] – 'Feeling good about Newport' represents the combined strategic planning intent of a partnership of the key public service providers in Newport which includes the Council - for improving the quality of life in terms of the social, economic and environmental well-being of the whole community. It is agreed by all the

partner organisations who are members of the One Newport Local Service Board. A review of partnership arrangements, in line with Welsh Government planning guidance has resulted in an integrated partnership structure and Single Integrated Plan (SIP) that replaces the Community Strategy and four core partnerships of:

- Healthy Newport (Health, Social Care and Wellbeing Strategy)
- Young Newport (Children and Young People's Plan)
- Prosperous Newport (Prosperous Newport Plan)
- Safer Newport (Community Safety Plan)

The priorities within the SIP are:

- Skills and work
- Economic opportunity
- Safe and cohesive communities
- Health and wellbeing
- City centre
- Alcohol and substance misuse

4.7 The Council's values are Accountable, Open, United.

4.8 The Council's stakeholders are consulted in regard to determining the priorities needed to realise the vision set out in the Corporate Plan, Improvement Plan, SIP, and the service-planning process establishes and communicates those priorities and means of achieving them.

4.9 The Council's Risk Management Policy requires the proactive participation of all those responsible for planning and delivering services in identifying, evaluating and managing significant risks to the Council's priorities, services and major projects. The risks and the controls necessary to manage them are recorded in the respective service plans, and any required improvements to controls are monitored to ensure implementation.

4.10 Processes are in place to ensure the economic, effective and efficient use of resources and for securing continuous improvement in the way that functions are exercised. This is supported by reviews undertaken by the external auditors and inspectors, and cooperating with the Welsh Government and as part of the wider collaborative agenda.

4.11 The Chief Executive Officer and the Strategic Directors are accountable for ensuring that the Council Priorities are delivered, and performance against key targets is regularly monitored via the performance management framework, Views, and is regularly reported to the Performance Board.

4.12 In order to ensure the successful delivery of services and completion of projects, central guidance and support is provided in respect of procurement and project management.

4.13 The Constitution, which can be found on the Council's website, sets out:

- how the Council operates and makes decisions;
- the procedures to ensure that decision-making is transparent and accountable to local people and other stakeholders;
- the key roles of all members and senior officers, including the lead responsibilities for corporate governance of the Leader, the Chief Executive and other designated senior officers;
- a scheme of delegated powers for decision-taking;
- responsibilities for reviewing and agreeing the Council's corporate governance arrangements;

- arrangements for ensuring it is regularly reviewed and updated;
- its related codes and protocols.

4.14 The Council takes its decisions by way of the full Council meeting or the Executive. The Executive comprises the Cabinet working as a collective; individual Cabinet Members and Chief Officers. The Scheme of Delegation; responsibility for functions and Terms of Reference, all of which are included in the Constitution, make it clear at which level decisions are taken. Agendas, reports, decision schedules and minutes of all meetings of the Council or the Cabinet are available to the public by way of the Council's website except in exceptional circumstances where reports are not available to the public as they may contain exempt or confidential matters. Any minutes or decisions arising from the consideration of such report are, however, available to the public via the website. Report and Decision schedules showing decisions taken by individual cabinet members are also available to the public via the websites except in similar exceptional circumstances. Every report considered as part of the decision making process by members must contain comments by the Council's Monitoring Officer and by the Section 151 Officer and (where there are staffing issues) by the Head of People and Transformation. The report template ensures report authors consider potential risks and financial implications of their proposals.

4.15 The Council has appointed 3 Scrutiny Committees to assist in policy development and also to hold the executive to account. Each Committee is politically balanced and the chairs are allocated in proportion to the number of seats held by political groups. In response to the Local Government Measure the Council established an Audit Committee and a Democratic Services Committee. Agendas, reports, decision schedules and minutes of all meetings of these committees are available to the public by way of the Council's website except in exceptional circumstances where exempt or confidential matters are discussed. The Audit Committee has appointed an independent chairman; he is not part of the political structure of the Authority.

4.16 There are robust arrangements for effective financial control through the Council's accounting procedures, Financial Regulations and Contract Standing Orders (CSOs). These include established budget planning procedures, which are subject to risk assessment, and regular reports to members comparing actual revenue and capital expenditure to annual budgets. The Chief Finance Officer is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972. Procedures for tendering and contract letting are included in the CSOs. The Council's Treasury Management arrangements follow professional practice and are subject to regular review by Cabinet and the Council's Audit Committee.

4.17 The ethical governance framework includes:

- codes of conduct for officers and members, which are regularly reviewed, updated and tested for compliance;
- a protocol governing Member/Officer relations;
- a whistle-blowing policy widely communicated within the Council and which is regularly reviewed;
- registers of personal and business interests for Members and Chief Officers;
- an agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons can be applied;
- [Strategic Equality Plan and Equality Objectives March 2013](#).

4.18 The Head of Law and Standards is the designated 'Monitoring Officer' in accordance with the Local Government and Housing Act, 1989, and ensures compliance with established policies, procedures, laws and regulations. After appropriate consultation, this officer will report to the full Council in respect of any proposals, decisions or omissions which could be unlawful or which have been subject of an Ombudsman Investigation resulting in a finding of maladministration.

- 4.19 Established anti-fraud and corruption arrangements provide a deterrent, promote detection, identify a clear pathway for investigation and encourage prevention. These include procedures designed to combat money-laundering, the anti-fraud and corruption policy and the whistleblowing policy.
- 4.20 The Audit Committee considers the work of external auditors and inspectors and the responses to audit and inspection recommendations. It also has responsibility for approving the annual Statement of Accounts and its associated reports (which include this statement).
- 4.21 All reports to Scrutiny forums, Cabinet Members and Cabinet incorporate a risk assessment. Scrutiny forums also consider and monitor service plans which include the key risks of service provision within that area.
- 4.22 Internal Audit operate to the standards set out in the Public Sector Internal Audit Standards [PSIAS] and its role and status is set out in the Council's Internal Audit Terms of Reference. The Chief internal Auditor is accountable to the Head of Finance and the Audit Committee.
- 4.23 The Chief Internal Auditor reports to the Audit Committee a summary of audit findings for each quarter, and also reports annually an opinion on the overall adequacy and effectiveness of the Council's control environment. The overall opinion for 2014/15 was 'Good'.
- 4.24 The Council has an objective and professional relationship with its external auditors and statutory inspectors, as evidenced by the Annual Report. This can be found on the Council's website. The Council is subject to external compliance requirements such as the Wales Audit Office high level risk assessments for its financial systems and information and technology, and the extensive requirements of Public Services Network (PSN) compliance, assessed annually by the Cabinet Office, and Payments Card Industry Data Security Standards (PCI-DSS).
- 4.25 Local Authorities collect, store, process, share and dispose of a vast amount of information. The Council must meet its statutory responsibilities effectively and protect the personal information it holds throughout its life cycle; from creation through storage; uses, retention, archiving and deletion, outlined in the Information and Technology Strategy 2011-2014.
- 4.26 Following adoption of the Information Risk Policy in 2013 the Council has defined roles and responsibilities for information risk as:
- The Senior Information Risk Owner (SIRO) has high level responsibility for controls relating to information security and the role is undertaken by the Head of Customer Services and Digital Innovation;
 - Information Asset Owners (IAO's) must effectively manage the information assets that they "own";
 - The Information Management team are the operational lead on information governance in conjunction with the IT Service;
 - The Information Governance Group provides a high level management overview of information governance;
 - The Council's Information Risk Register is maintained by the Information Management team to document and manage risks, reported annually.

Information risks are also covered in the [Corporate Risk Strategy](#) and Register

- 4.27 The Standards Committee, which includes a majority of independent representatives, advises on and monitors the Member Code of Conduct, the Protocol for Member/Officer Relations, and any other Codes relating to the conduct of Members.

- 4.28 The Council's recruitment procedures provide equality of employment opportunities. An equality-assessed pay structure to meet the requirements of the Single Status Agreement of 1997 is currently being developed.
- 4.29 Agreed arrangements enable the Council to comply with statutory requirements in respect of child protection and the protection of vulnerable adults. Recruitment procedures help ensure that Council employees and Members working with children or vulnerable adults are checked for their suitability to do so.
- 4.30 In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures.
- 4.31 The Council is required to meet statutory obligations regarding the handling of data and as part of the development of the Information & Technology strategy, has adopted an Information Risk Management Policy which outlines roles and responsibilities for information risk management. This ensures that the requirements of the legislation, including the Data Protection Act 1998, Environmental Information Regulations 2004 and the Freedom of Information Act, 2000 are met and that the risks around information are managed appropriately. The Information Risk Management Policy also formalised the requirement for an Annual Information Risk Report which was reviewed by Scrutiny Committee before being reported to the Deputy Leader in August 2014, and will be reviewed shortly.
- 4.32 The [Annual Information Risk Report](#) provides an annual assessment of the Council's information governance arrangements and key risks, supported by an action plan. The highest level information risks are escalated in the Corporate Risk Register as appropriate.
- 4.33 There are also agreed procedures to meet the requirements of the Regulation of Investigatory Powers Act 2000.
- 4.34 In terms of Transparency, the Council publishes all expenditure >£500 on its website on a quarterly basis in accordance with the Data Protection Act.
- 4.35 In line with the Local Government Measure a separate Democratic Services Committee was established during 2012/13 along with a Head of Democratic Services.
- 4.36 Newport CC receives grants from Welsh Government for capital and infrastructure projects; the work on which spans a number of years. The funding streams are generally approved on an annual basis by Welsh Government although once they give initial commitment to fund a specific scheme and fund the first stage or year of the project, there is an understanding between the two parties that funding will continue for the duration of the scheme.

5 Review of Effectiveness

- 5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Leadership Team within the Authority which has responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 5.2 The governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 5.3 The processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:

- i) periodic reviews of the Constitution and ethical governance arrangements (including the extent of compliance with the Regulation of Investigatory Powers Act) by the Monitoring Officer;
- ii) periodic reviews of the financial controls by the Chief Finance Officer;
- iii) formal risk management and regular ongoing review of the processes involved;
- iv) the Internal Audit function, whose work takes account of identified risks through regular audits of the major systems, establishments and major projects in accordance with the annual internal audit plan, and which includes 'follow-up' work to ensure that Heads of Service implement agreed recommendations;
- v) the work of the Scrutiny Forums and other Committees, including its Standards Committee and Audit Committee;
- vi) the opinions and recommendations of the Council's external auditors and other inspection and review agencies;
- vii) regular monitoring of performance against the Improvement Plan and service plans and of key targets, and reporting of this to senior management and members;
- viii) the outcomes of the Annual Information Risk Report.

6 Principle 1: Focusing on the purpose of Newport City Council and on outcomes for the community and creating and implementing a vision for the local area

- 6.1 One Newport's Single Integrated Plan (SIP) – Feeling Good about Newport – was produced and published in May 2013. A Single Integrated Plan (SIP) is a defining statement of strategic planning intent for the local authority area and contains the LSB's vision for improving the city. No single organisation can meet the total needs of a community, so there is a requirement to plan and deliver services in collaboration with other public and private sector organisations.
- 6.2 The SIP identifies key priorities and programmes that the LSB will work towards achieving over a set period of time. These priorities have been identified as those where the LSB and other key stakeholders must work together to achieve success.
- 6.3 This was supported by the SIP Board Action and Decision Log and the SIP Performance Management Framework during the year.
- 6.4 An Initial Evaluation of the Council's Corporate Plan was taken to Cabinet in April 2013; "monitoring was underpinned by robust performance management arrangements to ensure the Council was on track to deliver its Corporate Plan priorities."
- 6.5 A progress report on Delivering a Better Newport based on the corporate objectives, was presented to Cabinet in June 2013; it showed that 78% of the actions identified in the 2012/13 Improvement Plan were on track. A review of the 2012/13 Improvement Plan, taken to Cabinet in October 2013, and was assessed as being successful.
- 6.6 An Improvement Objectives and the Improvement Plan report for 2013/14 was also taken to Cabinet in June 2013; this incorporated consultation feedback. In November 2013 Cabinet received a progress report to Q2; "the overall assessment of progress towards achieving the Improvement Objectives set out in the plan is classed as 'Amber – Good.' Good progress is being made in a number of key areas and this is not to be overlooked, however there are a number of key measures that are falling below target at this stage and action needs to be taken to address the underperformance."
- 6.7 The Wales Audit Office's (WAO) Corporate Assessment of the Council, taken to Cabinet in October 2013, stated: "The Council is at a pivotal point as it begins to address longstanding weaknesses in arrangements that underpin improvement and, with wider ownership and strengthened capacity, it has the potential to achieve the scale and pace of change required." The report also contained a number of specific recommendations and proposals for improvement.
- 6.8 WAO Annual Improvement Assessment Letter Report went to Cabinet in February 2014. "There were several positive findings including the vision and mission stated in the Prospectus for Change, a clearer improvement plan for 13/14 and the implementation of a comprehensive business planning process. Areas for Improvement for next year were better alignment with strategic planning and improved ownership of the improvement plan in service areas."
- 6.9 "The performance data for 2012/13 referred to in the Wales Audit Office presentation was considered by Performance Board in September, 2013. For National Strategic Indicators (NSI's) and Public Accountability Measures (PAM's), year on year improvement had increased from 37% [16/43] better than previous year at the end of 12/13 to 55% [24/44] better than previous year at the end of November, 2013. This clearly demonstrated that the improved processes implemented by the Council were making improvements in performance."
- 6.10 Progress has been made in ensuring that the Strategic Director's vision of 'Every Child, Every Chance, Every Day' is shared and understood by Education Service Staff and schools. This also forms the basis of the foreword to the Education Service Plan which is a public document.

- 6.11 The Strategic Director's vision links to the Corporate Plan and Medium Term Financial Plan.
- 6.12 2013/14 service planning incorporated an understanding of customer needs, service area outcomes and improvement priorities, performance management and monitoring, an action plan to achieve the outcomes, an assessment of service related risk, an acknowledgement of regulators' proposals for improvement and an equalities impact assessment.
- 6.13 A Prospectus for Change 2013-17 – Improving People's Lives – Providing the Best Affordable Services was introduced in 2013/14. The Council is facing an unprecedented challenge – significantly reducing resources combined with increasing demand for, and expectations of public services. "To meet this challenge we must think carefully about what we do, what we stop doing, how we do things and who we do them for."
- 6.14 Reports were taken through the Scrutiny process during the year which linked service plans to the Council's policies, priorities and objectives. The agendas and minutes of which became public documents available through the Council's website.
- 6.15 Communication is important to Newport; the Annual Statement of Accounts was taken through the Audit Committee process before being endorsed by Cabinet and Council. All Council decisions, reports and questions asked by Members are available on the website. Headline figures of the Council's financial position were included in the Council tax leaflets distributed with all bills. Financial information, Improvement Plan progress, Council activities, achievements, developments, updates and events were included in Newport Matters which is distributed to every household in the City, is available on the Council's intranet and website.
- 6.16 Equality Impact Assessments are required by law under the Equality Act 2010. Newport's assessments also examine 'Fairness' and the Welsh language to ensure that the needs of other vulnerable people are considered, as well as the effect on different areas within Newport. A range of these were undertaken during 2013/14 which have been published on the website.
- 6.17 To ensure that users receive a high quality of service, service plans were reviewed mid and end of the year through Scrutiny. The Customer Complaints Policy was updated and reported through Cabinet; the process of which is available on the website, where the public can also report a problem or concern via the Street Scene pages.
- 6.18 Dealing with customer complaints helps Newport to identify and deal with failures in service delivery. The Council's complaint / compliment procedure is available on the web site. The following table shows the number of complaints received for the past three years.

	2012/13	2013/14	2014/15
Stage 1 Complaints	520	475	
Stage 2 Complaints	21	30	
Complaints to Ombudsman	1	2	
Customer Feedback / Compliments	215	347	

- 6.19 The Customer Services Strategy included a target of increasing the number of people using online services – monitored by Customer and Information Service service plan.
- 6.20 And where things are not working as well ... The performance board has recognised the shared role of Cabinet members in performance against Improvement targets. The Performance Board also recognises the role of scrutiny in looking at any systematic failures. Newport is learning from its mistakes. The implementation of action plans continued across the board with the Corporate Assessment, Improvement Plan, Estyn Inspections, service plans and internal audit reports.

6.21 Where value for money of the public pound is concerned, the budget proposals were examined by a joint meeting of Scrutiny Committees and then by the individual committees as part of the budget process. It is intended that the MTFP will form the basis of some of the Scrutiny Reviews in the coming year. As part of its review process the internal audit team checks to ensure corporate contacts are being utilised.

6.22 Some examples of achieving value for money through the procurement process included:

Contract	Collaborative	Type	Savings
Maintenance of Traffic Signals & Equipment	Yes 'Old' Gwent (x5) (NCC lead)	Tight Specification; Tight Qualification; 100% price evaluation	25%; £19,000 Cost saving as a result of following a competitive tendering process.
Provision of Mobile Communications (Phones)	Yes Collaborative contract with MCC (NCC lead)	Mini competition off GPS (now CCS) framework	56%; £90,000 Reduction in tariff charges and handset reduction using a competitive Framework
Provision of MDF Fleet (photocopiers)	No	Renegotiation of rental charges	20%; £66,000 Renegotiation within current contract terms resulting in a reduction in lease rental and click charges.

Medium Term Financial Plan

6.23 Regular budget / outturn reports for revenue and capital were presented to and approved by Cabinet during the year. The updated MTFP and budget monitoring reports were presented to and approved by Cabinet in June 2013, July 2013, November 2013, December 2013 and February 2014. The 2014/15 Budget and MTFP were submitted to Council in February 2014; budget proposals also went through the scrutiny process during 2013/14. A public consultation exercise was also undertaken to determine the 14/15 budget proposals.

6.24 The LDP review includes the monitoring of targets to ensure policies are delivering the agreed outcomes. In terms of measuring the environmental impact of policies, plans and decisions, the Council is working with the WLAG as one of 10 lead authorities for sustainability.

7 Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens.

- 7.1 Developing the Relationship with Cabinet between Cabinet and Scrutiny was a major focus of both the National Scrutiny Study and the Corporate Assessment, highlighting the need to clarify roles and responsibilities of Cabinet and Scrutiny. A meeting was held on 11 March 2014 between the Scrutiny Improvement Group and Cabinet, to discuss how the relationship between Scrutiny and the Executive can be strengthened. Regular meetings will now take place to develop the links further.
- 7.2 The scheme of delegation in the constitution sets out the various responsibilities of Members and Officers. This is updated as required via the Democratic Services Committee.
- 7.3 The Democratic Services Committee will review any necessary changes to the Constitution. Over the past year some changes to Standing Orders have occurred following deliberations by the Committee. A more wide ranging review of the Constitution is planned to commence in the coming year.
- 7.4 Appropriate and relevant job descriptions were in place for the Chief Executive, Senior Leadership Team (SLT), Monitoring Officer and Head of Finance. The minutes of the SLT were also made available on the Intranet during the year.
- 7.5 To ensure agreed procedures and all applicable statutes are complied with the Monitoring Officer attends all Council meetings; authors of all scrutiny, audit committee, Cabinet, Council reports need to obtain comments from the Monitoring Officer, Chief Finance Officer and the Head of People and Transformation before submission. All reports taken in 2013/14 included such comments.
- 7.6 A protocol on Members / Officers relations is included within the Council's Constitution and this was reviewed by the Standards Committee during 2013/14. A Planning Committee Code of Best Practice is also in place.
- 7.7 Remunerating Members - The Members' scheme is now determined by the Independent Remuneration Panel. A report on any discretionary payments is presented to the Council following consideration by the Democratic Services Committee.
- 7.8 In order to effectively monitor service delivery, the Performance Board monitors the Improvement Plan and addresses areas of under-performance; (Performance Board agendas and minutes). Service plans are monitored by the Scrutiny Committees as evidenced in minutes.

Partnerships/collaboration working

- 7.9 Partnership and Co-operative Principles (Outcome Agreement) is included within the Council's Improvement Plan with its aim being to support the delivery of public sector reform by working collaboratively with our partners to improve outcomes for the City. A single plan for partnership working in Newport will be delivered via the "One Newport" Local Service Board (Single Integrated Plan) – inter-related work streams include: health and wellbeing, skills and work, economic opportunity, safe and cohesive communities, the city centre and alcohol and substance misuse.
- 7.10 Although the majority of partnership and collaborative arrangements were identified during the year for all service areas, the governance arrangements for individual relationships needs to be worked through and clarified in order to determine the continuation of the partnership relationships.

- 7.11 The establishment of the Education Achievement Service (EAS) for 5 South East Wales Education authorities in 2012 including Newport, has appropriate governance arrangements in place. Revised governance arrangements for the EAS were taken through Cabinet in October 2014.
- 7.12 Prosiect Gwrydd is a key partnership Newport is involved in with 5 neighbouring local authorities; Newport's Contract Waste Profile has been reported to Cabinet March 2012. Covered by IAA agreement.
- 7.13 The Gwent Frailty Programme was launched in April 2011. Progress of achievements was reported through Cabinet during 2013/14. The Frailty Programme is a multi-agency partnership aimed at improving Intermediate Care services in Gwent and spans the ABHB, 5 Local Authority partners and a number of voluntary sector organisations.
- 7.14 In One Place obtained Cabinet support in November 2013 to facilitate collaboration between Aneurin Bevan Health Board (ABHB), the five local authorities and Housing Associations within Gwent with the aim of streamlining the process of developing suitable accommodation for people with complex health and social care needs in Gwent.
- 7.15 One Newport Local Service Board includes health, police, colleges, local government, housing, third sector and central government; it has a Shared strategic purpose detailed in the Single Integrated Plan with terms of reference and Performance Management Framework.
- 7.16 The South East Wales Improvement Collaborative (SEWIC) Fostering Group is a working group to develop a marketing strategy, with the objective of creating a unified brand to represent all 10 of the local authorities in South East Wales. It reports to SEWIC Board of Social Services Directors.
- 7.17 There is Council policy on information sharing along with numerous information sharing protocols with our partners.
- 7.18 Information sharing is key to joined up service delivery. The Wales Accord on the Sharing of Personal Information (WASPI) was developed as a practical approach to multi agency sharing for the public sector in Wales, and Newport signed up to this in January 2011. The Authority is required to meet statutory obligations regarding the handling and sharing of data, in accordance with the Data Protection Act 1998. The Information Sharing Policy has been developed to ensure information is only shared appropriately, safely and compliantly.

8 Principle 3: Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- 8.1 The code of conduct and member / employee relationship document are set out in the constitution.
- 8.2 There were no successful "call-in" challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.
- 8.3 There were 6 complaints of Member misconduct made to the Ombudsman in 2013/14 involving City Councillors. None of these were accepted for formal investigation. Therefore, there were no referrals to the Standards Committee and no findings of misconduct or breaches of the Member Code.
- 8.4 All waivers of the Contract Standing Orders are reported through Audit Committee quarterly. The Internal Audit team continues to deliver awareness raising sessions on the importance of compliance with these Contract Standing Orders.

- 8.5 The Audit Committee previously called in a Head of Service and Cabinet Member, holding them accountable for addressing required improvements to the internal control environment within their service area. A follow up audit review of this area moved the audit opinion from Unsatisfactory to Good.
- 8.6 41 Internal Audit opinions were issued in 2014-15; 2 were very good, none were deemed to be unsatisfactory or unsound. The overall opinion on the adequacy of the internal control environment for 2014-15 was therefore **GOOD**; this was an improvement from the Reasonable in the previous year.

	2012-13	2013-14	2014-15
Very Good	2	2	
Good	9	21	
Reasonable	29	18	
Unsatisfactory	5	0	
Unsound	0	0	
Total	45	41	

- 8.7 Management have agreed to implement the action points in order to address the weaknesses identified and Internal Audit will be following this up in 2014/15.
- 8.8 The audit opinions are about the adequacy of the internal control environment within a particular service area or establishment at a particular point in time. They are not a reflection of how well the service is delivered or the establishment is run.
- 9 Principle 4: Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk in order to foster innovation.**
- 9.1 Minutes, Agendas & Reports along with their subsequent decision schedules and questions to Cabinet Members are all available on the web site. Council, Cabinet, Scrutiny and Audit Committee reports are available on the Council's website.
- 9.2 A Scrutiny Improvement Group has been established to review and improve the scrutiny function, which is supported by Cabinet. The group comprises of members and officers and meets monthly.
- 9.3 Audit Committee meets regularly and its activities can be seen via the Council's website.
- 9.4 To enable good, quality information, advice and support to ensure that services are delivered effectively and are what the community wants / needs, a report template has been developed which helps authors to consider relevant issues in report writing and insists that statutory officers are consulted. Minutes, Agendas & Reports along with decision schedules are all available on web site. Legal / Finance / HR officers attend key meetings to respond to questions as required.

Risk management

- 9.5 The Council's Corporate Risk Strategy and Risk Register were endorsed by Cabinet in 2012/13. The Corporate Risk Register was updated in line with the Medium Term Financial Plan and

presented to Cabinet in January 2013; further updates were presented to Audit Committee during the year.

- 9.6 The Corporate Risk Register was updated and presented to Cabinet in October 2013 and January 2014. Mitigation of risk is incorporated within the risk register, which moves the risk from inherent to residual. The major risks Newport has identified, following an assessment of current controls or mitigation in place, as part of this process are shown in the table below:

9.7 The Audit Committee felt that managing the risks faced by service areas was an important aspect of the manager's role and should be part of his / her day to day responsibilities.

	Risk	Residual Risk Assessment January 2013	Residual Risk Assessment October 2013	Residual Risk Assessment January 2014
1	Partnerships	High	-	-
2	Waste Management	High	High	Medium
3	Job evaluation (Total Reward)	High	Medium	Medium
4	Welfare Reform Agenda	High	High	High
5	Budget prioritisation - Balancing the Budget	Medium	Medium	Medium
6	Aligning Resources to meet Budget Pressure (Transformation)	Medium	-	-
7	Asset Management	Medium	Medium	Medium
8	Business Continuity	Medium	Medium	Medium
9	Performance Management	Medium	Medium	Medium
10	Skills and Workforce Capacity	Medium	Medium	Medium
11	Failure to meet the needs of customers	Medium	-	-
12	Change & Efficiency Programme	-	Medium / High	Medium / High
13	Adult Services / Demand Led Services	-	Medium	Medium
14	City Centre Regeneration	-	Medium	Medium

Further work was required to ensure that risk management became fully embedded within Council operations so that it became more of a living document so that operational managers took greater responsibility for owning and dealing with the risks identified in their areas.

- 9.8 A report template for all formal member and scrutiny reports, requires authors to consider risk and its management or mitigation when writing reports.
- 9.9 Heads of Service submitted their 2013/14 service plans to the respective scrutiny forum in April 2013. The plan included an overview of the service area, budget information and links to the medium term financial plan, an understanding of its customers' needs, service area outcomes, service improvement priorities, performance measures, links to corporate priorities and equalities assessments. The key risks for each service area were identified in each of the service plans. Service Plans were reviewed by Scrutiny members in November / December 2013 to ensure that the delivery of the service was on track and key objectives were being met. These will continue to be reviewed.
- 9.10 Each Head of Service incorporate the keys risks to their service within operational plans which identified the impact, the likelihood and any mitigation in place to manage those risks.

Information Governance

- 9.11 The purpose of the Annual Information Risk Report is to provide an assessment of the information governance arrangements for the Council and identify where action is required to address weaknesses and make improvements. This was presented to the Deputy Leader August 2014.
- 9.12 The Annual Information Risk report forms an important element of information risk management, and includes an action plan. Progress on the actions will be reported in the 2014 report and included:
- 402 staff trained on information security since Apr 2013;
 - Information Governance group established;
 - Development of a number of policies including Information Risk, Confidential Waste and Records Management;
 - Approach to information risk reviewed by Scrutiny Committee;
 - PSN (Public Services Network) compliance achieved Dec 2013;
 - Development of an Information Sharing Policy in compliance with WASPI and supporting the development of Information Sharing protocols.

Other work is ongoing, and the report for 2015 will also consider security incidents, and data breaches through the year;

(Link) [Annual Information Risk Report 2014](#)

- 9.13 The Council's website includes other information which the Council is required to publish, such as allowances paid to members in accordance with statutory provisions, and developing the transparency agenda the publication of data on Council spending over £500. There are also agreed procedures to meet the requirements of the Regulation of Investigatory Powers Act 2000.

(Link to transparency data): www.newport.gov.uk/transparency

- 9.14 The Information Commissioner (ICO) recommends that Councils publish information proactively and the Council has adopted the ICO [publication scheme](#) in this respect. The model publication scheme commits the Council to publishing certain classes of information. It also specifies how the Council should make the information available, any charges, and what we need to tell members of the public about the scheme. This has been updated in line with new requirements to provide sets of electronic data on request.

10 Principle 5: Developing the capacity and capability of members and officers to be effective.

- 10.1 Councillor programmes have been held mainly based on their various roles within the authority. The Democratic Services Committee recognised the Council needed to do more to base the programme on individual needs as identified by Councillors. To this end the Committee agreed to pilot a series of interviews with the Organisation Development team to participate in this pilot.
- 10.2 There is an ongoing programme of events for members involved in Planning & Licensing Committees and Sub Committees.
- 10.3 The majority of employees have undertaken the 'my review' process. This ensures that all officers and managers reflect on CPD opportunities which are needed to improve their skill, knowledge and understanding base. Education Service confirmed that all staff in their service had gone through the process.

- 10.4 Education Senior Management lead Cabinet Member briefings on a regular basis. Briefings stimulate discussion around the need for Member training. These considerations are followed up with Democratic Services, ensuring that an appropriate and timely Members training programme is planned.
- 10.5 Overview and Scrutiny are leading a programme of training and support aimed at improving challenge and scrutiny. The Gwent Scrutiny Challenge is being undertaken in partnership with Gwent colleagues and with support from WG's Scrutiny Development Fund, WAO, WLGA and CfPS.

11 Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

- 11.1 The Scrutiny Annual Report is produced for the Council meeting in July each year.
- 11.2 The Scheme of Delegation sets out responsibilities for decision making. The Council's website includes the Cabinet and Cabinet Member decisions / Member profiles. The Scrutiny Handbook is being updated. Development of Customer Insight to better understand our communities. Dissemination of ward meeting minutes.
- 11.3 There were positive responses to consultation exercises undertaken; 7000+ responses to Scrutiny Committee work on Gypsy and Traveller site selection and 14000+ consultation responses to the LDP.
- 11.4 Social media, Twitter and Facebook for example, is increasingly being used to engage local people and communicate the corporate message.
- 11.5 Majority of meetings are held in public as shown from Committee agendas and minutes which are then available on the website. The Council now broadcasts Council meetings and Planning / Licensing Committees live on the internet and is working towards webcasting other formal member meetings.
- 11.6 The Council has responded to Freedom of Information Act requests within the required 20 days:

	2012-13	2013-14	2014-15
No' of FOI requests	698	869	
No' responded to within 20 days	631	757	
Percentage of FOIs responded to within 20 days [Target 87%]	90%	87%	

- 11.7 The WAO previously commented on the robustness and appropriateness of Newport's Annual Governance Statement:

	WAO Comment	Newport's Response
1	The 2011-12 process relied too heavy on input from a limited number	<ul style="list-style-type: none"> • Presentation on the Annual Governance Statement delivered to the Corporate

	of officers, there was no 'self assessment' or review / acknowledgement of areas of weakness	<p>Management Team in January 2014</p> <ul style="list-style-type: none"> Working Group of key officers was set up to review the Code of Corporate Governance and contribute to its effectiveness through the Annual Governance Statement (AGS) Action Plan for areas of further development included within the 2013/14 AGS
2	Stronger links/formal evidence is needed that shows whether the specific assurance measures stated in the Statement have been delivered satisfactorily	<ul style="list-style-type: none"> Reference to specific documentation, measures, performance Cabinet, Scrutiny review process subsequently within the AGS Documentation available to support the completion of the AGS includes links to corresponding documentation held within Newport City Council along with a review of its effectiveness
3	The review of governance (and the AGS itself) has limited review/content on key areas such as partnerships/collaboration working	<ul style="list-style-type: none"> A review of partnership arrangements was completed by Heads of Service in year Examples of governance arrangements in place for key partnerships subsequently included in the AGS, although further work required to assess the effectiveness of the governance arrangements of all partnership arrangements the Council has in place.

12 Action Plan 2013/14

12.1 The following issues will be reviewed and considered during 2014/15 to further enhance the Council's governance arrangements

	Governance issue to be addressed	How	Responsible Officer	By when
1	Principle 2 Ensure that relationships between the Council, its partners and the public are clear so that each knows what to expect of the other	Review the Partnership Evaluation to clarify the governance arrangements in place and to determine the continuation of the partnership relationships.	Framework Partnership Manager Heads of Service	March 2015
2	Principle 4 Risk Management Arrangements	Strengthening the risk management arrangements through	Head of People and Transformation	March 2015

		improved processes and governance arrangements to ensure it becomes more of a living document		
3	Principle 6 Engaging with local people and stakeholders	Develop use of Customer and Community Insight to ensure understanding of communities	Information Governance Manager/ Partnership Manager	Ongoing
4	Principle 6 Commitment transparency and openness	Move to a more open approach with publication of data.	Head of CS&DI Information Governance Manager	2014/15, monitored as part of CIS service plan

13 Conclusion

13.1 We propose over the coming year to continually monitor and review the projects within each service area to mitigate and manage these risks to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:**Date**..... **2015**

Leader

Signed:**Date**..... **2015**

Chief Executive



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Accounting Statements 2013-14

Newport City Council

Audit year: 2013/14

Issued: January 2015

Document reference: 114A2015

Status of report

This document has been prepared for the internal use of Newport City Council as part of work performed in accordance with its statutory functions.

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The team who delivered the work comprised Anthony Barrett, John Dwight, Jeannette Sweet, and other members of the Newport City Council audit team.

Contents

This report, which has been prepared and presented on behalf of the Appointed Auditor, summarises our conclusions arising from the audit of the Council's 2013-14 Financial Statements.

The matters arising are shown in [Appendix 1](#), together with our recommendations.

The matters arising from our review of the Council's 'Information Management and Technology' control environment, and our specific work on the key financial systems, are set out in [Appendix 2](#).

The 'Lessons Learned' action plan presented to the Council's November Audit Committee is attached at [Appendix 3](#), so that all actions arising from the 2013-14 financial audit are recorded in one document.

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Summary report

Introduction

1. Anthony Barrett, as the Appointed Auditor, is responsible for providing an opinion on whether the financial statements of Newport City Council (the Council) give a true and fair view of the financial position of the Council as at 31 March 2014 and its income and expenditure for the year then ended.
2. We completed a risk assessment and targeted our audit work to enable us to fulfil this responsibility. This included the documentation, assessment and evaluation of the Council's internal control environment and its financial systems, as well as forming an opinion on whether the financial statements had been properly prepared in accordance with relevant legislation and applicable accounting standards.
3. This report summarises the findings from our financial audit work, including the findings arising from our review of the Council's Information Technology arrangements. It also complements and, where appropriate, provides further commentary on those issues previously communicated in our high-level *Audit of the Financial Statements Report* which was presented to the Audit Committee in September 2014.

The Council's 2013-14 Financial Statements were materially accurate and properly prepared

4. International Standard on Auditing (ISA) 260 requires auditors to report to 'those charged with governance' the findings of the audit of the accounting statements. We presented the Appointed Auditor's *Audit of the Financial Statements Report* to the Council's Audit Committee meeting held on 29 September 2014.

There were delays in the Council presenting for its draft Financial Statements and supporting working papers for audit. However, the Financial Statements were prepared by the statutory deadline and an unqualified audit opinion was issued on 30 September 2014

5. In our *Audit of Financial Statements* report presented to the Audit Committee in September 2014, we reported that the Council presented its draft statements for audit some 2 weeks after the agreed date. The relevant supporting working papers followed a week later.
6. We held a joint 'Lessons Learned' session with key Finance Officers to identify where aspects of the financial statements production and audit process could be improved for 2014-15. Following completion of the evaluation, several key themes for improvement were identified. The Action Plan produced from these discussions was presented to the November Audit Committee meeting and is attached as **Appendix 3** so that all actions arising from the 2013-14 financial audit are recorded in one document.

Overall we found the information provided to support the Financial Statements to be relevant, reliable, comparable and easy to understand. However, there are some issues that the Council should address for the 2014-15 Statements

7. In our previous *Audit of Financial Statements Report* presented to the Audit Committee in September 2014, we reported some matters both qualitative and quantitative relating to the accounts. In addition, detailed matters arising from our audit and our recommendations to address these have been agreed with Finance Staff. These are set out, together with the Council's responses, in [Appendix 1](#).
8. We will continue to liaise closely with officers to ensure that effective arrangements are put in place for the preparation and audit of the 2014-15 accounts.

Our review of the Council's *Information Management and Technology* control environment, and our specific work on the key financial systems, did not identify any issues that could generate a material misstatement within the Financial Statements. However, some issues were identified that should be addressed in order to minimise the risk of any future potential misstatements – some are being repeated from last year

9. The Council uses IT networks, infrastructure and applications in the operation of its key financial systems. These financial systems and their outputs are used by the Council to prepare the financial statements. We sought to obtain assurance that the IT arrangements in place are sufficiently robust to ensure that the financial statements are materially accurate.
10. In undertaking our 2013-14 audit we therefore reviewed two key aspects of the Council's IT control environment:
 - We reviewed the 'high-level' IT internal control environment that supports the key financial systems to obtain assurance that it is securely accessed, robust and resilient and that appropriate arrangements exist concerning the data processing centre, data backups and business continuity arrangements; and

-
- Undertook specific reviews on the Main Accounting System and some key systems that are used to compile the financial statements such as the payroll system, accounts receivable, income collection (including NNDR and Council Tax) and some local systems that are used for recharges. These reviews focussed on the assessment of the processes and procedures in place covering the processing of transactions on these systems, systems administration controls, database administration procedures and 'audit logging' arrangements.
- 11.** Whilst we did not identify any issues that could have led to the generation of a material misstatement within the financial statements, we identified some areas where controls could be improved. Our recommendations, if implemented, should help the Council to mitigate the risks to future misstatements in the financial statements. Some issues are common to different departments within the Council and there would be benefit in managers working together and sharing solutions. The issues identified are set out in [Appendix 2](#).

We had a constructive 'Lessons Learnt' joint exercise with key Finance Officers and presented the findings and agreed actions to the Council's November Audit Committee

- 12.** The summarised output from our 'Lessons Learnt' joint exercise is shown in [Appendix 3](#) for information.

Appendix 1

Action Plan agreed to address the matters arising from the audit of the Council's 2013-14 financial statements

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Recommendations	Management response	Implementation
<p>R1 We repeat our recommendation from 2013-14 that the Council should account for its involvement in all Joint Committees and other Jointly Controlled operations, as set out in its Accounting Policy and as required by the Code.</p>	<p>Agreed.</p>	<p>Accounting Statements 2014-15</p>
<p>R2 Last year we recommended that when professionals are commissioned to undertake work on behalf of the Council, the specification for the work should be sufficiently detailed so that the outputs from the engagement meet the Council's accounting requirements. Now that the Council's professional advice on Estate valuations will be provided by Norse Newport, the Council will need to set in place clear and time-bound plans to obtain the specific information in the detail and timescales required to meet the council's 2014-15 Accounts' Close-Down plan.</p>	<p>Agreed – discussions are in the process of being held with the Valuer on deadlines to ensure information is obtained in accordance with the closedown plan.</p>	<p>Accounting Statements 2014-15</p>
<p>R3 When preparing journals that are not subject to segregation of duties, sufficient details should be recorded on the journal and adequate supporting papers need to be retained with it, to fully explain the reasons and to verify the value of the journals.</p>	<p>Agreed – will be part of guidance notes to Finance staff on closure and production of working papers.</p>	<p>Accounting Statements 2014-15</p>

Recommendations	Management response	Implementation
<p>R4 We recommended last year that when the Council revalues the Glan Usk school during 2013-14, the nature of the lifecycle replacement costs should be reviewed as part of this work. We found that there were lifecycle replacement costs in 2013-14 that had not been capitalised. We therefore repeat this recommendation for the 2014-15 accounts preparation.</p>	<p>Not agreed - Further discussions to be held on the general principles to apply as part of the valuation process.</p>	
<p>R5 We agreed with the Capital Accountant that an incorrect revaluation figure of £2.951m had been recorded in the Council's PFI spreadsheet. The correct figure is £3.616m – which agrees to the Valuation report and what had been reported in the Council's financial statements. The correction needs to be made to ensure that the Council's supporting spreadsheet reconciles to the financial statement and the 2014-15 Valuation report.</p>	<p>Agreed.</p>	<p>Accounting Statements 2014-15</p>
<p>R6 The incorrect write off percentage was used for 2013-14 NNDR Pool debts. The level of error was immaterial (£24,298) to the 2013-14 financial statements. The Council's improved quality assurance procedures for 2014-15 should ensure that such errors are not repeated.</p>	<p>Agreed – improved QA process being implemented.</p>	<p>Ongoing.</p>
<p>R7 Five payments to Queensbury Development under the 'Seed Funding Agreement' had both been 'certified for payment' and 'authorised' by the same Officer. We recommend that all payments should be certified by one officer and authorised by a second officer – as set out in the Council's financial delegations and financial procedures.</p>	<p>Agreed and noted.</p>	<p>Ongoing.</p>

Recommendations	Management response	Implementation
<p>R8 The Council was unable to meet the deadlines set by the Welsh Government for the submission of its draft Data Collection Tool (DCT). The Welsh Government would not accept the Council's offer to submit the draft by the end of August and sent a strongly worded communication to the Council extending the submission deadline for the draft DCT to 18 August 2014 – some five weeks after the extended deadline of 11 July 2014. The Council needs to include this work in its close-down plan for the 2014-15 financial statements and by adopting robust QA arrangements, ensure that its draft DCT is as accurate as possible and submitted within the agreed timetable.</p>	<p>Agreed and noted.</p>	<p>WG Accounts 2014-15</p>
<p>R9 The WGA Management Review checklist which is designed to ensure that a robust draft Data Collection Tool (DCT) is prepared by the Council had not been reviewed by an officer independent to the one who completed the return. There were a significant number of inconsistencies between the Council's draft financial statements and the DCT. To avoid these time consuming and avoidable amendments, a robust independent review should be put in place for future years and the HM Treasury's Management Review Checklist should be appropriately completed and reviewed as expected.</p>	<p>Agreed and noted.</p>	<p>WG Accounts 2014-15</p>
<p>R10 Some transactions and balances with other Public Sector bodies had been omitted from the draft DCT. We detected the omissions from a 'year on year' review of entries. The Council could have prevented having to make the required amendments by undertaking its own review as part of its overall preparation arrangements.</p>	<p>Agreed and noted.</p>	<p>WG Accounts 2014-15</p>

Appendix 2

Matters arising from our review of the Information Management and Technology control environment and key financial systems

Matters arising	Recommendation	NCC management response	Proposed completion date
Issue (AIM – Cash Receipting)			
No material issues identified			
Issue (Civica - Debtors)			
<p>Procedures to remove access from leavers are weak (this issue has been raised on a previous occasion)</p> <p>There is no formal process for informing the systems administrator of leavers and periodic checks for unused user accounts are performed ad-hoc.</p> <p>Unused user accounts provide an increased risk of unauthorised access to the application and its data.</p>	<p>Complete a review of user accounts and remove access for any that are not used.</p> <p>Implement a formal mechanism for notifying the systems administrator of any leavers from the organisation who have systems access.</p>	<p>We will produce a procedure to update system owners of leavers.</p> <p>The Council also has longer term plans to introduce identity management, although these are on hold due to resource constraints.</p>	<p>March 2015</p>
<p>User training is delivered in the live environment (this issue has been raised on a previous occasion)</p> <p>Use of the live environment for training purposes increases the risk of errors in the data which could be reflected in the final accounts.</p>	<p>Ensure that any training is completed in the test environment.</p>	<p>We will investigate with supplier the development of a test instance</p>	<p>March 2015</p>

Matters arising	Recommendation	NCC management response	Proposed completion date
Issue (Logotech – Fixed Assets)			
<p>Access control arrangements for Logotech Fixed Assets are weak (this issue has been raised on a previous occasion)</p> <p>Password controls and hierarchy of accounts to support segregation of duties. Both were identified in our 2012/13 audit but there has been no progress on these. As the Council are moving to a new solution in July 2014 no further recommendations will be made.</p>	<p>Confirm that the replacement system is now in use.</p>	<p>Due to resource constraints upgrade outstanding, this work will be re-arranged with the supplier.</p>	<p>January 2015</p>
Issue (ROCC – Property Repairs Management)			
No material issues identified			
Issue (SIMS – Schools Accounting)			
<p>Password controls are very weak (this issue has been raised on a previous occasion)</p> <p>Password controls are weak and fall short of accepted good practice in all areas (including enforced change of password on first logon). Inadequate password controls increase the risk of unauthorised access to the application and unauthorised manipulation of the system's data.</p>	<p>Improve the strength of the SIMS FMS password controls (seek assistance from the supplier, if necessary).</p>	<p>This software does not currently enforce password complexity, this has been raised with the supplier but will need development of the product.</p> <p>Information security training provided for schools including guidance on password security and best practice,</p> <p>We will produce a best practice guidance note for Education and schools advising of good password management.</p>	<p>January 2015</p> <p>June 2014 (ongoing)</p>

Matters arising	Recommendation	NCC management response	Proposed completion date
<p>Lack of user acceptance testing (this issue has been raised on a previous occasion)</p> <p>Although Capita release beta tested versions of the software, implementing patches and upgrades to the live environment without user acceptance testing increases the risk of errors being introduced to financial data which may not be detectable by IT installation and compatibility testing only.</p>	<p>Implement user acceptance testing as part of the change control mechanism for SIMS FMS.</p>	<p>We will investigate creating a test database for the Education Finance team to carry out UAT when new upgrades are received.</p>	<p>April 2015</p>
Issue (Oracle Financials – MAS)			
<p>Systems administrator account are not unique (this issue has been raised on a previous occasion)</p> <p>Generally all users are allocated a unique user account. However the SYSADMIN user account is shared by the DBA and the application systems administrator. This high level access allows staff to perform activity without intervention and sharing a common user account means that changes to the system may not be traceable to an individual.</p>	<p>Set up unique accounts for systems administrators (seek help from the supplier if necessary).</p>	<p>We will investigate how we can achieve the separation of access required.</p>	<p>March 2015</p>
<p>Procedures to remove access from leavers are weak (this issue has been raised on a previous occasion)</p> <p>Although HR processes include notification of leavers to IT services, this does not generally</p>	<p>Implement a robust mechanism for notification of leavers to IT Services and all application system administrators.</p>	<ul style="list-style-type: none"> Access to the system is authorised via a paper form, this will be updated to include user pay number to enable easier integration with Payroll/HR systems. 	<p>March 2015</p>

Matters arising	Recommendation	NCC management response	Proposed completion date
<p>happen. Two processes have been implemented to try to address this problem, but unused accounts could still be active for up to three months before being disabled. Unused, but active user accounts increase the risk of unauthorised access to the Council's financial management system and could potentially result in unauthorised access to data and malicious activity.</p>		<ul style="list-style-type: none"> Update termination checklist for managers. Produce a procedure to update system owners of leavers. 	<p>November 2014</p> <p>March 2015</p>
<p>Password complexity rules are not enforced (this issue has been raised on a previous occasion)</p> <p>Password controls for the application fall short of accepted best practise in that adequate password complexity is not enforced by ORACLE R12 (alpha numeric only). Weak password controls increase the risk of unauthorised access and manipulation of data.</p>	<p>Improve password complexity controls. (Seek assistance from the supplier if necessary).</p>	<ul style="list-style-type: none"> This software has limited password complexity, although new users are created with complex password. The password policy is regularly communicated to all users. Network access is also controlled by secure password. 	<p>March 2015</p> <p>Ongoing.</p>
<p>Audit reports are still under review (this issue has been raised on a previous occasion)</p> <p>Audit logs and reports are still currently under review and development so it was not possible to evaluate the design of this control.</p>	<p>Ensure that adequate audit reports are developed and a process of regular review implemented to strengthen this control.</p>	<p>We will analyse how we can improve this issue by talking to the supplier/other users</p>	<p>March 2015</p>
Issue (Academy – Housing Benefits & C Tax)			
<p>Database access is via a generic profile (this issue has been raised on a previous</p>	<p>Establish a way of mitigating the risk of using generic DBMA logons (ie by</p>	<p>We will investigate how we can achieve</p>	<p>March 2015</p>

Matters arising	Recommendation	NCC management response	Proposed completion date
<p>occasion) The Council use a generic database administrator profile, which increases the risk that changes made to the database are not traceable to any individual.</p>	<p>adding named individuals to a group or profile with DBMA access).</p>	<p>the separation of access required.</p>	
Issue (iTrent - Payroll)			
No material issues identified			
Issue (IT infrastructure)			
<p>Obsolescence of servers The Council uses approx 70 servers using the ageing Windows 2003 operating system. Although the supplier extended support for a further year in April 2014, this expires in Q2 2015. This leads to an increased risk of availability issues as well the risk of security vulnerabilities being exploited by unauthorised access. Given the publicity around this issue, W2013 servers still in operation will be a particular target for hackers.</p>	<p>Replace the Windows 2003 operating system servers the Council uses in 2014-15 as these are approaching de-support in Q2 2015.</p>	<p>Windows 2003 supported until July 2015, we are working on updating these servers to a newer version of the OS, this will be an issue for our PSN compliance.</p>	<p>June 2015</p>
<p>IT control weaknesses in the two main computer rooms at the Newport Council civic building</p> <ul style="list-style-type: none"> The basement server room was at risk from flood and only a manual pump was available for use with no use of an automatic pump. 	<p>Strengthen the IT environmental controls over the two main computer rooms by:</p> <ul style="list-style-type: none"> securing the use of an automatic pump to be used if there is a flood in the basement computer room 	<ul style="list-style-type: none"> We are investigating how this risk can be mitigated against, currently we have been advised that we can only install a 	<p>February 2015</p>

Matters arising	Recommendation	NCC management response	Proposed completion date
<ul style="list-style-type: none"> The basement server room had no CCTV/alarm. Both rooms had boxes of kit in that were not stored in storage racks and empty cardboard boxes that should have been disposed of. Both rooms had loose server cables/cabling was untidy. <p>These weaknesses led to an increased risk of IT environmental issues with the IT computer rooms.</p>	<p>(ongoing from 12-13);</p> <ul style="list-style-type: none"> installing CCTV/ burglar alarm for the basement room; keeping both computer server rooms tidy (boxes of IT equipment / kit should be stored in store racks / cupboards and empty cardboard boxes should be disposed of); and tidying loose server cables and cables protruding out of racks 	<p>manual pump in this area. It should be noted that a bund exists to reduce the risk of flooding.</p> <ul style="list-style-type: none"> To improve the security of the basement computer room we have installed an extra key-lock on the outside door into the basement computer room. 	
<p>Long expiry limit on network passwords</p> <p>Network passwords are set to expire after 90 days. The Council should consider reducing this to 60 days in line with good IT practice and other Councils in Wales of a similar size. This increases the risk of unauthorised access.</p>	<p>Set network access controls to expire after 60 days. Good IT practice recommends the 60 days' limit and this is more in line with other councils in Wales of a similar size to NCC.</p>	<p>Agreed, we will update our Password Policy to reflect best practice</p>	<p>January 2015</p>
<p>Co-location of both main computer rooms</p> <p>Currently, both main computer server rooms are located at the Council's main civic centre which increases the risk of a major IT disaster recovery or business continuity incident affecting both at the same time seriously impacting the time taken to restore IT systems.</p>	<p>Review possibilities for locating the Council's computing facilities for critical IT systems to an appropriate 'off site' facility. Consider partner arrangements with another organization.</p>	<ul style="list-style-type: none"> Reciprocal arrangement agreed with CCBC for DR capital investment to provide off-site facility for critical IT systems. A number of other business continuity measures are being proposed as part of Council wide business continuity 	<p>June 2015</p>

Matters arising	Recommendation	NCC management response	Proposed completion date
		work.	
<p>Inadequate monitoring of user account audit trails</p> <p>Solarwinds network monitoring software produces a graphical display of the number of users locked accounts. This is monitored by the Network Team, but they do not currently undertake any review or investigation and although there are plans to link this information to the Council's service desk, this has not happened yet. Inadequate monitoring of audit trails could result in unauthorised access to the network and its systems going undetected.</p>	<p>Implement regular monitoring, review and investigation of user account audit trails. Integrate this review with the service desk.</p>	<p>We are investigating the use of reports from our logging system.</p>	<p>February 2015</p>
<p>Lack of adequate IT Business Continuity and Disaster Recovery arrangements</p> <p>Weaknesses in adequate provision of IT Disaster Recovery facilities and testing were identified in the Wales Audit Office 2011-12 review. In response, corporate review of business continuity exercise highlighted initial priority systems and an agreed action plan. The timescale for completion of the action plan is summer 2014 to spring 2015. Until then, there is a continued risk that arrangements and back-up media may not work as anticipated and systems may not be able to be restored in a timely manner in the event of a major disaster incident.</p>	<p>Ensure the Business Continuity review action plan is concluded and that all agreed actions are implemented.</p>	<ul style="list-style-type: none"> • A number of other business continuity measures are being proposed as part of Council-wide business continuity work. • Priority systems have now been agreed by the Council's senior management. • Reciprocal arrangement agreed with CCBC for DR capital investment to provide off-site facility for critical IT systems . 	<p>Ongoing</p> <p>June 2015</p>

Appendix 3

Summarised output from our 'Lessons Learnt' joint exercise with key Finance Officers

Themes	Actions agreed
Time to focus on the accounts, audit and audit queries	1. The Council will need to ensure that the closedown and audit processes are adequately resourced in future years.
Working Papers	2. Wales Audit Office will produce a list of 'audit deliverables', including key working papers required and an agreed timetable for delivery.
Quality assurance and review of the draft accounts prior to submission for audit	3. The Council needs to ensure that sufficient time is built into its closedown plan to complete appropriate levels of quality review on the draft and final accounts; and 4. Obtain agreement on a corporate 'house style' for the accounts, liaising with the Council's publishing unit to ensure this is robustly implemented.
Timing	5. More frequent Wales Audit Office/Council meetings throughout the year, enabling earlier discussion of key audit risk and issues (see also item 14 below). 6. Fully agreed timetable for both the Council and Wales Audit Office work (as part of the 'audit deliverables' document).
Audit Committee	7. Discussion (with Audit Committee) around any further Audit Committee training needed. 8. Review the need for 2 meetings in September.
Planning	9. Key Council staff need to have regular meetings throughout the closedown process. 10. Wales Audit Office team to also establish a more formal meeting programme during the course of the final accounts audit work. (Both actions will be supported by the 'audit deliverables' document.)
Testing	11. Earlier testing of some areas by the Wales Audit Office. 12. Better co-ordination of Wales Audit Office staff by senior auditors (as part of the formal meeting programme). 13. More certainty needed on testing from better audit planning.
New senior finance officers (Senior Financial Accountant and Capital Accountant)	14. Regular Council/Wales Audit Office meetings and early audit engagement with new officers.

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2015 Audit Plan

Newport City Council

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This document is a draft version pending further discussions with the audited and inspected body. Information may not yet have been fully verified and should not be widely distributed.

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This document was produced by Anthony Barrett, Alan Morris, Terry Lewis, Non Jenkins, Jeannette Sweet and Martin Gibson.

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2015 Audit Plan

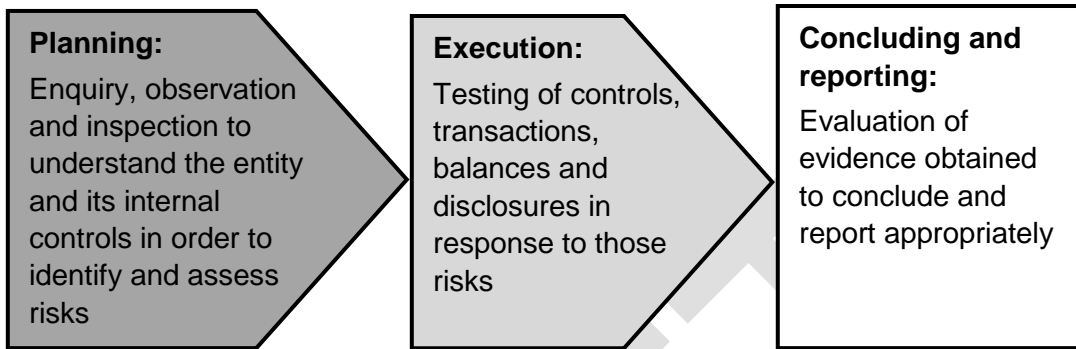
Summary

1. As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice, namely to:
 - examine and certify whether your financial statements are ‘true and fair’;
 - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
 - audit and assess whether you have discharged duties and met requirements of the Measure; and
 - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
2. The purpose of this plan is to set out my proposed work, inform you of when it will be undertaken, how much it will cost and who will undertake it. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Financial audit

3. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their ‘truth and fairness’.
4. I also consider whether or not the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
5. [Appendix 1](#) sets out my responsibilities in full.
6. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: My audit approach



7. The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, are set out in [Exhibit 2](#) along with the work I intend to undertake to address them.

Exhibit 2: Financial audit risks

Financial audit risk	Proposed audit response
The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].	We will: <ul style="list-style-type: none"> test the appropriateness of journal entries and other adjustments made in preparing the financial statements; review accounting estimates for biases; and evaluate the rationale for any significant transactions outside the normal course of business.
The severe austerity measures of recent years introduces risks for the Council's financial standing and the financial pressures that have required significant savings also increases financial control risks (e.g. budgetary control and achieving planned savings).	We will continue to review the overall control environment and monitor the Council's achievement of planned financial savings.
The Council's 2014-15 financial statements will include a number of disclosures which are material by nature . These include the disclosure of Related Parties, Senior Officer's Remuneration and Members' Allowances.	We will review all notes and disclosures that are material by nature and will substantively test these to ensure that they are consistent with supporting documentation and all required disclosures are made in line

Financial audit risk	Proposed audit response
<p>In my 2013-14 Financial Accounting Memorandum I reported:</p> <ul style="list-style-type: none"> Some areas where the Council's Corporate Information Management & Technology (IM&T) should be assessed in order to minimise the risk of future service failures and potential misstatements (some of these issues were repeated from the previous year); and Some weaknesses in the Council's key financial systems: Oracle financial system, Payroll system; the fixed asset system (Logotech), Property repairs management system (ROC) and the schools accounting system (SIMS). 	<p>with the Code of Practice on Local Authority Accounting.</p> <p>We will review the progress that the Council has made on the recommended improvements and consider the potential impact of any remaining weaknesses may have in terms of the potential for the generation of material misstatements within the financial statements.</p>
<p>The Financial Accounting Memorandum also reported the issues arising from our joint 'Post Project Learning' exercise and identified several actions for the Council – the principal ones are:</p> <ul style="list-style-type: none"> An appropriate level of resources dedicated to the production of a fully quality-assured draft financial statements in line with the agreed timetable; and To establish an agreed 'house-style' for the financial statements well ahead of the accounts production timeframe with appropriate liaison with the Council's Publishing Team to ensure key timescales are achieved. 	<p>We will continue to liaise with key Officers to ensure that effective arrangements have been put in place for the issues previously reported to you.</p>
<p>There have been significant changes in key staff within the Council's Finance Department. Some staff that were new in post last summer have already, or are due to leave in the coming weeks. There is a considerable knowledge gap due to the recent high staff turnover.</p>	<p>We will continue to liaise with key Officers to ensure that effective arrangements are put in place to manage the risks. For example, the audit team are finalising a deliverables document to clearly set out the working papers expected for the various areas of the financial statements, so that Council Officers' effort is channelled towards the most appropriate supporting papers.</p>

Financial audit risk	Proposed audit response
<p>Job Evaluation – The Council is intending to conclude its Job Evaluation process in near future and there is a risk that the financial implications arising may not be accounted for correctly.</p>	<p>We will monitor the position of this exercise and assess whether the Council's financial implications are correctly disclosed in the financial statements.</p>
<p>There have been some changes introduced in the Accounting Code relevant to the Council's 2014-15 financial statements. In particular, in respect of 'interests in other entities' such as 'joint arrangements'. This will require the Council to re-evaluate its accounting treatment of its interest in 'Newport Transport'. In addition, we expect to see the correct accounting treatment for the Council's 'joint arrangements'.</p>	<p>We will review the Council's re-evaluation of its proposed accounting treatment for its subsidiary undertaking and all of its joint arrangements.</p>
<p>Recent European and UK Case law has changed the way in which employers must calculate Holiday Pay where overtime, shift allowances or bonuses are considered to be part of an employees' 'normal' pay.</p>	<p>We will review the work that the Council has done to assess whether or not there is a potential financial implication arising from these recent changes.</p>
<p>The Appointed Auditor wrote to the Council in November 2014 setting out the audit requirements for the Council's Port Health functions which will take effect from the 2014-15 financial statements.</p>	<p>We will assess the preparedness of the Council for this new requirement and will subsequently undertake the audit work as required.</p>
<p>The Council was the last local authority in Wales to prepare its 2013-14 Whole of Government Accounts return. This was reported in our annual Local Government Accounts report.</p>	<p>We will review the Council's accounts preparation timetable to ensure that it addresses the production of this data to the required timescales set by the Welsh Government.</p>
<p>The Code that will apply to the 2016-17 financial statements includes the proposal that 'Transport Infrastructure Assets' are measured on a 'Depreciated Replacement Cost' basis. Although no change will be required for 2014-15, this is a major change from the Council's current accounting treatment.</p>	<p>We will assess the preparedness of the Council for this new requirement and will consider reporting if we have any concerns.</p>

8. I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts

being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.

9. For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of five per cent of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
10. My fees are based on the following assumptions :
 - information provided to support the financial statements is timely, to the quality expected and has been subject to effective quality assurance review;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that we require in the Letter of Representation addressed to me;
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements;
 - that we will be able to rely on 'Newport Norse' to provide accurate information on the valuation of Newport Council's Property plant and equipment and that this information is provided to the Council in sufficient time for the preparation of the financial statements; and
 - Torfaen Council (the Pension Scheme Administrators) provide the actuarial information on Newport Council's transactions and membership data relating to the Pension Scheme. We plan to obtain assurance from the auditors of the Pension Scheme Administrators on the information supplied to the Actuary for the calculation of the relevant disclosures included in the Trust's financial statements.
11. In addition to my responsibilities in respect of the audit of the Council's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts.

Certification of grant claims and returns

12. I have been requested to undertake certification work on the Council's grant claims and returns as set out in [Appendix 2](#).
13. The expected audit fee for this work is set out in Exhibit 6.

Overall issues identified

14. [Exhibit 3](#) summarises the more significant and/or recurring issues I identified when undertaking grant certification work in 2013-14.

Exhibit 3: Overall issues relating to grant claim and return certification

Grant Claims and Returns 2013-14

- In 2013-14 we certified 20 grant claims with a total value of £149.8 million, a decrease on the 37 claims certified in 2012-13, with a total value of £158.5 million
- The Council was late submitting 5 out of the 20 claims, or 25 per cent – this was an improvement in performance from 2012-13, when 6 out of 37 claims were submitted late. Of these 5 claims, 2 were 1 day late only. Moreover, none of the 3 remaining claims were significantly late and were received within 1 calendar month of the set submission deadline. In all three cases, we were fully aware of the reasons causing the delay
- Claims requiring amendment decreased from 16 in 2012-13 to 13 in 2013-14. However, this represents a considerably larger proportion of the population of audited claims - 65% increased from 43%. There has also been a significant drop in the number of claims audited, due largely to changes in the Communities First regime. The number of adjustments is broadly comparable to 2012-13.
- Two of the 13 amendments were significant, being over £10,000 in value. However, the £351,004 decrease to the TRA23 “Free Concessionary Travel” balance relates to adding in funding received for the financial year after ‘year-end’ but before the date the claim was signed by the Council. It therefore affected the accuracy of the balance being reclaimed from the Welsh Government. The second significant adjustment was a £18,121 reduction to the EYC01 “Flying Start” balance relating to firstly incorrectly claiming for a number of accrued purchase orders at year-end which should have been removed as not payable, and secondly, an isolated discrepancy between an accrued SLA payment and the actual payment made after year-end.
- Claims requiring qualification decreased from 12 in 2012-13 to 6 in 2013-14. However, the decrease in the number of grants being audited means this is a modest improvement in performance, representing 30% of claims compared to 32.4% in 2012-13.
- We delivered grants training to Council officers on 17 March 2015. This focused on our approach to the certification of grants, best practice that should be followed and how improvements could be made to Council processes during the coming year. We also outlined the key elements of our ‘*Joint Protocol on Grants Management*’, how best to use the ‘*Authority Grant Claim Checklist*’ prior to the submission of a claim form for audit and common grants management risks, including monitoring of ‘third party expenditure’.

Effectiveness of grant coordination arrangements

- We have acknowledged changes in the officers undertaking the Council’s Grants Coordinator role throughout the year. We consider that the handover from the long-term post-holder to the new Coordinators could have been improved and there has inevitably been a transition period while the new Coordinators adapt to the requirements of the role.
- The ‘*Joint Protocol*’ specifies respective responsibilities of us and Council officers. Since the completion of our 2013-14 grants work, we have amended the provisions of the ‘*Joint Protocol*’ with the agreement of the Council and believe the revised arrangements should address some of the issues we have identified which impact on the audit process – in particular the submission of claim forms for audit accompanied by a fully referenced file, the completion of the pro-forma ‘Grants Checklist’ and delayed response times to our queries within the agreed 3 days.
- The *Joint Protocol* includes a responsibility to provide constructive feedback to Council grant officers on completion of each grant audit. The additional detail added to the pro-

forma following the 2012-13 audit allowed auditors to record specific and constructive points where improvements could usefully have been made on each audit. The provision of copies of the certified claim and accompanying documents has also allowed auditors to provide a copy of the extended feedback at the same time.

Issues related to specific grant claims and returns

15. In addition to the overall issues identified above, I summarise the more significant issues I have identified relating to individual grant claims and returns in [Appendix 2](#).

Performance audit

16. I am required by the Measure to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with requirements to make arrangements to secure continuous improvement. I must also carry out audits of whether the authority has discharged its duties under the Measure. My improvement assessment work, combined with my work on financial matters, also discharges my responsibility to satisfy myself that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
17. I am also required under the Measure to undertake a corporate assessment at each improvement authority. Since 2013-14, I have undertaken this programme of corporate assessments on a cyclical basis. Currently, I have agreed with the Welsh Government that I may use the grant that I receive from the Welsh Government to fund the corporate assessment. This means that, in addition to fee-funded improvement assessment and audit work, each authority will receive an in-depth corporate assessment once during a four-year period. In the intervening years, I will maintain a 'light-touch' overview of developments and of the progress made by the authority. In the event of emerging issues of concern or matters of priority, I do reserve the flexibility to undertake a more frequent corporate assessment. I am just completing my follow-up of the full Corporate Assessment that was reported to the Council in September 2013.
18. I set out in this section the 12-month programme of performance audit work to be undertaken at the Council. The content of the programme has been determined by a consideration of the risks and challenges facing the Council, the extent of accumulated audit and inspection knowledge, including that of other external review bodies, as well as other available sources of information including the Council's own mechanisms for review and evaluation.
19. The components of my performance audit work are shown in [Exhibit 4](#) and have been designed in order to help deliver the high-level objectives set out in our 2013-2016 corporate strategy (www.wao.gov.uk/publication/wales-audit-office-corporate-strategy-2013-2016).

Exhibit 4: Components of my performance audit work



20. The performance work I propose to undertake is summarised in Exhibit 5.

Exhibit 5: Contents of my 2015-16 performance audit work programme

Category	Specific projects
Improvement audit and assessment	<p>'Improvement plan' audit Audit of discharge of duty to publish an improvement plan.</p> <p>'Assessment of performance' audit Audit of discharge of duty to publish an assessment of performance.</p> <p>Financial management review Further work on financial management arrangements following up our 2014-15 review, and looking forward to 2016-17 budget setting and savings proposals. There will also be a focus on the reserves position, policy and use of reserves. Further work to be determined in relation to the Progress Review of the Corporate Assessment and its Follow up</p> <p>Governance review Progress Review of the Corporate Assessment and its follow up.</p> <p>Performance management review Progress Review of the Corporate Assessment and its follow up.</p> <p>Locally determined review(s) To be determined in relation to the Progress Review of the Corporate Assessment and its follow up.</p>

Category	Specific projects
Follow-up work	I will maintain a focus on assessing the progress that has been made in implementing recommendations from my previous work. As part of this work, I will seek assurance that the Council has appropriate corporate processes for responding to my reports, tracking implementation of my recommendations and reporting this to the appropriate committee. Any specific follow-up work to be determined in relation to the Progress Review of the Corporate Assessment and its Follow up.
Local government studies	<p>Study 1 : The strategic approach of councils to income generation and charging for services Under the theme of delivering with less, this study will involve an audit of councils' strategic approach to charging; the approval process for setting and reviewing charging within a council the impact of charging on services and service users..</p> <p>Study 2 : Council funding of third-sector services Again, under the theme of delivering with less, this study will look at the level of investment in voluntary sector services to benchmark findings against 2009-10 and earlier assessments; review of the measures used to judge the effectiveness of funding in a tracer area; review decision making processes to determine whether the principles of good governance in funding third sector services are being followed.</p> <p>Study 3 : The effectiveness of local community safety partnerships This study will look at the effectiveness of community safety partnerships and the impact of the work of partnerships in delivering improvement within their communities.</p>
Good practice	In line with the my commitment to identify and share good practice, I will continue to host shared learning seminars, identify relevant case studies and focus my work on identifying and promoting effective practice.

21. The performance audit projects included in last year's plans, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 3](#).

Fee, audit team and timetable

Fee

22. Your estimated fees for 2015 are set out in [Exhibit 6](#). The fee for financial audit has been held at the prior year level with a small increase (0.2%) in the performance fee.

Exhibit 6: Audit fee

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Financial audit work¹	£191,097	£191,097
Performance audit work:²		
• Study 1 : The strategic approach of councils to income generation and charging for services	£0 ³	
• Study 2 : Council funding of third-sector services	£0 ³	
• Study 3 : The effectiveness of local community safety partnerships	£0 ³	
• Improvement audit, assessment work and follow-up	104,657	104,058
Performance audit work total	104,657	104,058
Total fee	£295,754	£295,155
Grant certification work⁵	£82,000	£83,000
Other financial audit work⁴	£0	£0
Total fee for other audit work	£82,000	£83,000

Notes:

¹ Payable November 2014 to October 2015.

² Payable April 2015 to March 2016.

³ Funded by Welsh Consolidated Fund.

⁴ Any additional work arising out of audit issues leading to additional work will be discussed with the Head of Finance in the first instance

⁵ Payable as work is undertaken.

23. Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.
24. Further information on my fee scales and fee setting can be found on the Wales Audit Office website at: www.wao.gov.uk/about-us/fee-scales-and-fee-setting.

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you.

Audit team

25. The main members of my team, together with their contact details, are summarised in [Exhibit 7](#).

Exhibit 7: My team

Name	Role	Contact number	E-mail address
Anthony Barrett	Engagement Lead – Financial Audit	01244 525972 07771 505 882	Anthony.Barrett@wao.gov.uk
Alan Morris	Engagement Lead – Performance Audit	02920 320514 07818 427 472	Alan.Morris@wao.gov.uk
Terry Lewis	Financial Audit Manager	029 20320641 07747 761594	Terry.lewis@wao.gov.uk
Jeannette Sweet	Financial Audit Team Lead	029 20320654	Jeannette.Sweet@wao.gov.uk
Non Jenkins	Performance Audit Manager	029 20320595 07879 848 671	Non.Jenkins@wao.gov.uk
Martin Gibson	Performance Audit Lead	029 2032 0617 07790 814050	Martin.Gibson@wao.gov.uk

26. I can confirm that my team members are all independent of the Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

27. I will provide reports, or other outputs as agreed, to the Council covering the areas of work identified in this document. My key milestones are set out in [Exhibit 8](#).

Exhibit 8: Timetable

Planned output	Work undertaken	Report finalised
2015 Audit Plan	November 2014 – January 2015	March 2015
Financial accounts work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on Financial Statements• Financial Accounts Memorandum	February – September 2015	September 2015 September 2015 October 2015

Planned output	Work undertaken	Report finalised
Performance work: <ul style="list-style-type: none"> Improvement Plan Audit Assessment of Performance Audit Financial Management Review Governance review Performance management review Locally determined review(s) 	(Estimated) April - May 2015 October – November 2015 April – September 2015 Progress Review of the Corporate Assessment and its follow up September – December 2015 To be determined as part of the Progress Review of the Corporate Assessment and its follow up	(Estimated) June 2015 November 2015 December 2015 March 2016 March 2016
Annual Improvement Report	2015 – 2016	March 2016
2016 Audit Plan	October – December 2015	January 2015

* Subject to timely clearance of draft findings with the Council.

Appendix 1

Respective responsibilities

Financial audit

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- Their 'truth and fairness', providing assurance that they:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with the statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- The consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether Newport City Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- Newport City Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect Newport City Council's financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within Newport City Council from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Performance audit

The Measure places a general duty on improvement authorities to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. I must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

To discharge the requirements of the Measure, I undertake periodic corporate assessments at each improvement authority. Since 2013-14, I have undertaken this programme of corporate assessments on a cyclical basis. Currently I have agreed with the Welsh Government that I may use the grant that I receive from the Welsh Government to fund the corporate assessment. This means that, in addition to fee-funded improvement assessment and audit work, each authority will receive an in-depth corporate assessment once during a

four-year period. In the intervening years, I will maintain a 'light-touch' overview of developments and of the progress made by the authority.

In the event of emerging issues of concern or matters of priority, I do reserve the flexibility to undertake a more frequent corporate assessment.

I may also, in some circumstances, carry out special inspections (under section 21), in respect of which I will provide a report to the relevant authorities and Ministers, and which I may publish (under section 22). I will summarise audit and assessment reports in my published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

In addition to my programme of audit and assessment work under the Measure, I undertake a programme of local government studies as required under sections 41 and 42 of the Public Audit (Wales) Act 2004. This work is not included within the local performance audit fee, but is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund.

Appendix 2

Summary of grant claim certification work

Name of scheme	WAO CI Reference	Value of Claim/Return 2013-14	Results of Audit Certification 2013-14
Housing and Council Tax Benefits	BEN01	£57,400,208	<ul style="list-style-type: none"> Qualified, value of qualification not quantifiable; and Amended, increase in subsidy receivable of £35
Schools Effectiveness Grant	EDU15	£3,366,252	<ul style="list-style-type: none"> Certified without qualification or amendment
Learning Pathways	EDU43	£585,475	<ul style="list-style-type: none"> Certified without qualification or amendment
Welsh in Education Grant	EDU44	£256,018	<ul style="list-style-type: none"> Certified without qualification or amendment
Pill Regeneration Initiative	EUR01	£280,897	<ul style="list-style-type: none"> Qualified, value of qualification not quantifiable; and Amended, increase in grant receivable of £7,222
Flying Start	EYC01	£3,478,913	<ul style="list-style-type: none"> Qualified, value of qualification not quantifiable; and; Amended, decrease in grant receivable of £18,121

Name of scheme	WAO CI Reference	Value of Claim/Return 2013-14	Results of Audit Certification 2013-14
Flying Start (Capital)	EYC02	£2,027,991	<ul style="list-style-type: none"> • Qualified, value of qualification not quantifiable; and; • Amended, amendments had no impact on balance of grant receivable
Families First	EYC14	£2,660,937	<ul style="list-style-type: none"> • Certified, no qualification made; but; • Amended, amendments had no impact on balance of grant receivable
Substance Misuse Action Plan Fund	HC02	£4,405,991	<ul style="list-style-type: none"> • Qualified, value of qualification quantified as £2,449,916; and; • Amended, amendments had no impact on balance of grant receivable
s28A Learning Disabilities	HLG03	£1,502,702	<ul style="list-style-type: none"> • Certified without qualification or amendment
s28A Frail Older Adults	HLG03	£591,808	<ul style="list-style-type: none"> • Certified without qualification or amendment
NNDR Final Contributions	LA01	£53,529,290	<ul style="list-style-type: none"> • Qualified, value of qualification quantified as £705,572; but; • No amendments necessary
Sustainable Waste Management	LA12	£2,864,886	<ul style="list-style-type: none"> • Certified without qualification or amendment

Name of scheme	WAO CI Reference	Value of Claim/Return 2013-14	Results of Audit Certification 2013-14
Teachers Pensions	PEN05	£11,325,310	<ul style="list-style-type: none"> • Certified, no qualification made; but; • Amended, amendments had no impact on balance of grant receivable
Communities First – West Cluster	RG03	£539,234	<ul style="list-style-type: none"> • Certified, no qualification made; but; • Amended, decrease in grant receivable of £3,589
Communities First – North Cluster	RG03	£445,761	<ul style="list-style-type: none"> • Certified, no qualification made; but; • Amended, decrease in grant receivable of £2,370
Communities First – East Cluster	RG03	£452,788	<ul style="list-style-type: none"> • Certified, no qualification made; but; • Amended, decrease in grant receivable of £6,708
Communities First – Central Cluster	RG03	£456,232	<ul style="list-style-type: none"> • Certified, no qualification made; but; • Amended, decrease in grant receivable of £3,150
Social Care Workforce Development Programme	SOC07	£562,791	<ul style="list-style-type: none"> • Certified, no qualification made; but; • Amended, amendments had no impact on balance of grant receivable
Free Concessionary Travel	TRA23	£3,097,860	<ul style="list-style-type: none"> • Certified, no qualification made; but; • Amended, decrease in grant receivable of £351,004

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Appendix 3

Last year's performance audit work still in progress

Performance audit project	Status	Comment
Corporate Assessment Follow-up	Report being drafted	Will be issued to Council for comments in March 2015
Financial Management	Included within the Corporate Assessment Follow-up	As above
Governance	Included within the Corporate Assessment Follow-up	As above
Performance Management - Data Quality Review	Included within the Corporate Assessment Follow-up	As above
Information Management and Governance	Included within the Corporate Assessment Follow-up	As above
Gwent Frailty	Not started	Draft project brief has been issued to the Council with fieldwork likely to commence in May 2015.
Local Government Study – Independence of Older People	Ongoing	Fieldwork is scheduled to finish in March 2015 with reporting anticipated in August 2015.
Local Government Study – Delivering with Less – Leisure Services	Ongoing	Fieldwork is scheduled to finish in March 2015 with reporting anticipated in August 2015.



Appendix 4

National value-for-money studies

Newport City Council may also be interested in the national value-for-money examinations which I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are funded by the National Assembly and are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure.

The table below covers all of the value-for-money studies work currently programmed, although some of this work is still at an early stage of development. The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. I will shortly be considering and consulting on potential topic areas for future value-for-money studies to start, and potentially in some cases to be reported, in 2015-16.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

Topic	Anticipated publication timeframe
GP prescribing	April to June 2015
Welsh Government investment in next generation broadband infrastructure	April to June 2015
Regional education consortia	April to June 2015
Welsh Government acquisition of Cardiff Airport	April to June 2015
Rail services	April to June 2015
Orthopaedic services	April to June 2015
NHS clinical coding	Summer 2015
NHS waiting lists and private practice	Summer 2015
Picture of public services	Autumn 2015
Development of Natural Resources Wales	Autumn 2015
Regeneration Investment Fund for Wales ²	To be confirmed
Wales Life Sciences Investment Fund ³	To be confirmed
Flood and erosion risk management (likely to focus on coastal flooding)	To be confirmed

² While in clearance, the timescale for publication is uncertain for reasons specific to the project.

³ While in clearance, the timescale for publication is uncertain for reasons specific to the project.

Topic	Anticipated publication timeframe
Early intervention and public behaviour change ⁴	To be confirmed
Welsh Government interventions in local government ⁵	To be confirmed
Welsh Government responses to audit recommendations	To be confirmed
Public procurement and the National Procurement Service	To be confirmed

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⁴ In the short-term, development of a new picture of public services report will take priority over this work. However, the picture of public services report is likely to reflect on these themes in some way. Wales Audit Office staff will also be exploring opportunities to take forward work in this area as part of our good practice exchange programme.

⁵ Plans for this work are being revisited in light of the Welsh Government commissioned review of the Anglesey intervention and to take into account any wider implications arising from the local government reform programme.

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Certification of Grants and Returns 2013-14

Newport City Council

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Status of report

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Summary

1. Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns (referred to as grant claims, hereafter).
2. We undertook our work with the aim of certifying individual claims and to answer the question:
 - ‘Does Newport City Council (the Council) have adequate arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?’
3. We have completed our audit work and conclude that the Council had adequate arrangements in place for the production and submission of its 2013-14 grant claims. We certified 20 grant claims with a total value of £149.8 million. For 2012-13 we certified 37 claims with a total value of £158.5 million. The decrease in claim numbers relates mainly to revised arrangements for Communities First projects and the shift to using geographical clusters instead of specific council wards
4. The total cost of our grant claims audit in 2013-14 was £83,000, compared to the 2012-13 fee of £106,200. This equates to a significant decrease of 22%, partly of a result of the reduced number of claims and also as a result of more efficient working due to improvements in some areas.
5. We delivered grants training to Council officers on 17 March 2015. This focused on our approach to the certification of grants, best practice that should be followed and also how improvements could be made to Council processes during the coming year. We also outlined the key elements of our ‘*Joint Protocol on Grants Management*’, how best to use the ‘*Authority Grant Claim Checklist*’ prior to the submission of a claim form for audit and common grants management risks, including monitoring of ‘third party expenditure’. The quality of files provided was generally satisfactory but improvements can be made which could facilitate smoother audits and reduce the audit cost to the Council.
6. Revised grants management procedures are being introduced by the Council, including the collation and maintenance of a ‘Grants Database’ which records all grants received, irrespective of whether they need and audit certificate. This will also include key information such as the submission dates officers need to adhere to. Management of the submission process under the ‘*Joint Protocol on Grants Management*’ that we are developing with the Council should also ensure that officers are fully aware of grants submission dates and that appropriate checks are carried out, as well as all mandated entries on a claim form have been completed.
7. The Council was late submitting 5 out of the 20 claims, or 25 per cent – this is an improvement in performance from 2012-13 when 6 out of 37 claims were submitted late. Of these 5 claims, 2 were 1 day late only. Moreover, none of the 3 remaining claims were significantly late and were received within 1 calendar month of the set submission deadline. In all three cases, we were fully aware of the reasons

causing the delay – with the EYC02 claim, we had noted it had been completed on time but was missing some information so a revised claim form was submitted for audit on 28 October, some 28 days late. The remaining two HLG03 claims were each 21 days late due to the requirement to submit for audit having not being communicated to the officers responsible for collating the claims.

8. Claims requiring amendment decreased from 16 in 2012-13 to 13 in 2013-14. However, this represents a considerably larger proportion of the population of audited claims - 65%, which is an increase from 43%. The decrease in the number of Communities First claims has directly contributed to this, and in reality the number of amendments remains stable.
9. The number of 'qualified' claims decreased from 12 in 2012-13 to 6 in 2013-14. A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant-paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate. Details of the 6 qualifications and 13 amendments made to claims are contained in the body of the report between pages 7 and 18 and form the main basis of our recommendations between pages 19 and 23.
10. Two of the 13 amendments were significant, being over £10,000 in value. However, the £351,004 decrease to the TRA23 balance relates to the 'adding in' of funding received after the year-end but before the date the claim was signed by the Council's Head of Finance and therefore affected the accuracy of the balance being reclaimed from the Welsh Government. Paragraph 19 of the TRA23 Certification Instruction covered this requirement. The second significant adjustment was a £18,121 reduction to the EYC01 balance relating to, firstly incorrectly claiming for a number of accrued purchase orders at year-end which should have been removed as not payable, and secondly an isolated discrepancy between an accrued SLA payment and the actual payment made after year-end.
11. We acknowledge the Council's assistance and co-operation during the audit and will continue to work with Council officers to develop our protocol and working arrangements for the 2014-15 audits.
12. Detailed on the following page is a summary of the key outcomes from our certification work on the Council's 2013-14 grants and returns, showing where either audit amendments were made as a result of our work or where we had to 'qualify' our audit certificate.

Key information for 2013-14

Overall, we certified 20 grants and returns (37 in 2012-13):

6 grant claims were unqualified with no amendment (13 in 2012-13)

13 grant claims required amendments (16 in 2012-13)

6 grant claims required a qualification to our audit certificate (12 in 2012-13)

We have not been required to issue any separate reports due to significant issues (same in 2012-13)

Audit Findings

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Ref – Para	CI Ref	Grants and returns	Claim due	Claim received	Late	Testing level	Qualified certificate	Qualified value	Significant adjustment (>£10,000)	Minor adjustment (<£10,000)	Unqualified/un-amended grant claim
1	BEN01	Housing and Council Tax Benefits	30/04/14	28/04/14	No	Various	1	Not quantifiable		£35	
2	EDU15	Schools Effectiveness Grant	Ref:2	Ref:2	N/A	N/A					1
3	EDU43	Learning Pathways	Ref:2	Ref:2	N/A	N/A					1
4	EDU44	Welsh in Education Grant	Ref:2	Ref:2	N/A	N/A					1
5	EUR01	Pill Regeneration Initiative	22/04/14	23/04/14	No	20%	1	Not quantifiable		£7,454	
6	EYC01	Flying Start	30/09/14	29/09/14	No	10%	1	Not quantifiable	£-18,121		
7	EYC02	Flying Start (Capital)	30/09/14	28/10/14	Yes	10%	1	Not quantifiable		£0	
8	EYC14	Families First	30/09/14	01/10/14	Yes	10%				£0	
9	HC02	Substance Misuse Action Plan Fund	30/09/14	30/09/14	No	25%	1	Quantified, £-2,449,916		£0	
10	HLG03	s28A Learning Disabilities	30/09/14	20/10/14	Yes	10%					1
11	HLG03	s28A Frail Older Adults	30/09/14	20/10/14	Yes	10%					1

Ref – Para	CI Ref	Grants and returns	Claim due	Claim received	Late	Testing level	Qualified certificate	Qualified value	Significant adjustment (>£10,000)	Minor adjustment (<£10,000)	Unqualified/un-amended grant claim
12	LA01	NNDR Final Contributions	30/05/14	27/05/14	No	10%	1	Quantified, £-705,572			
13	LA12	Sustainable Waste Management	30/09/14	24/09/14	No	10%					1
14	PEN05	Teachers Pensions	30/06/14	19/06/14	No	25%				£0	
15	RG03	Communities First – West Cluster	Ref 10	29/08/14	N/A	25%				£-3,589	
16	RG03	Communities First – North Cluster	Ref 11	29/08/14	N/A	25%				£-2,370	
17	RG03	Communities First – East Cluster	Ref 12	29/08/14	N/A	25%				£-6,708	
18	RG03	Communities First – Central Cluster	Ref 13	29/08/14	N/A	25%				£-3,150	
19	SOC07	Social Care Workforce Development Programme	28/09/13	23/09/13	No	10%				£0	
20	TRA23	Free Concessionary Travel	30/09/13	15/10/13	-	25%			£-351,004		
TOTAL QUALIFICATIONS AND AMENDMENTS							6	£-3,155,488	£-369,125	£-8,328	6

13. This table overleaf summarises the key issues behind each of the adjustments or qualifications that were identified above.

Ref	Summary observations	Qualification	Amendment
1	<p>Housing Benefit and Council Tax Subsidy (BEN01)</p> <ul style="list-style-type: none"> • The Council claimed subsidy of £57,400,243 (previous year £67,356,988). A small number of amendments were made to individual cells which resulted in a slightly increased subsidy. All errors identified during the audit were corrected prior to final certification of an amended claim form. • Amendments made to the cell entries and subsidy claimed related to the following issues: <ul style="list-style-type: none"> – Correction of HRA Rent Rebate data extracted from the system subsidy report, claim form had recorded zero subsidy when in fact the accurate disclosure was negative subsidy figures representing a correction to subsidy awards and corrections processed in previous years. The benefits relate to a handful of cases and represent the tailing off of legacy benefit corrections pre-LSVT of HRA housing stock. • We were required to issue a qualification letter covering two issues identified on the claim. <ul style="list-style-type: none"> – Within our initial sample of Rent Allowance claims, we identified one claim (claimant 900928998) whose Rent Allowance calculation included a weekly amount of Working Family Tax Credit (WFTC). Review of supporting information held on file by Newport City Council failed to identify either a DWP notification or other documentation (e.g. bank statements) which validated that WFTC was actually received. Enquiries to Newport City Council officers identified that the basis of the calculation could not be supported, as evidence was missing from file. – As this was the only occasion where the initial sample calculations contained claimants in receipt of WFTC, we therefore extended the sample by a further 39 Rent Allowance cases to review that evidence was filed for the entitlement to WFTC, based on a population of 1,036 claimants in receipt of WFTC as at 1st April 2013. We have not found any other instances where the WFTC entitlement was not evidenced in the other 39 claims reviewed. – We have not extrapolated an error rate on the population, given that it covers a variety of claimants whose benefit falls into different Cells within the range Cell 95 to Cell 109, with varying subsidy rates applied. We also view this as an instance of missing documentation failing to support the benefit paid as opposed to ineligible benefit - there is no evidence that WFTC was ever received by the claimant, but equally there is no evidence that WFTC was never received 	Not Quantifiable	£35

Ref	Summary observations	Qualification	Amendment
2	<p>Schools Effectiveness (EDU15) Learning Pathways (EDU43) Welsh in Education (EDU44)</p> <ul style="list-style-type: none">All three claims have been subject to a different audit methodology given that Torfaen CC are acting as lead Council for banking and distributing the grants receivable from Welsh Government. The audit undertaken on Newport CC records was limited to confirming that the claim form reconciled to an audit trail down to transaction level, with the audit testing then being undertaken by the auditors of Torfaen CC.	N/A	N/A

Ref	Summary observations	Qualification	Amendment
3	<p>European Regional Development Plan – Pill Regeneration Initiative (EUR01)</p> <ul style="list-style-type: none"> • Issues on internal controls reported in the Accountants report included: <ul style="list-style-type: none"> – The Council has addressed issues identified on the previous audit and although the Council has attempted to provide a clearer audit trail between the Ledger, Transaction List and the Claim Form, a complete reconciliation was not done until after the final combined third and fourth quarter claim was submitted to WEFO. As a result of this a number of items were identified which had been omitted from the transaction listing and subsequently from the claim form, valued at £7,222.40. • A number of amendments were reported in the Accountants report to be actioned by the Welsh European Funding Office (WEFO), which included: <ul style="list-style-type: none"> – As noted above, understatement of £7,222.40 of eligible expenditure, identified as initially omitted due to weaknesses in the audit trail – Further understatement of £231.94 identified due to error made in calculating the correct apportionment of staff costs to claim in the final combined third and fourth quarter claim – Overstatement of match funding believed to have been received but not actually paid over, value £500.00 – Recognition of Ineligible match funding of £179,059.53 as Eligible match funding, albeit Gross Match Funding received of £200,000 was correct and the error relates to the analysis of this amount. • We additionally reported that two issues raised in the previous Accountants Report covering the 2012-13 audit had not been actioned by the Welsh European Funding Office (WEFO). The net impact of both is to understate cumulative eligible expenditure by £22,994.44 and recognise a corresponding value within the cumulative ineligible expenditure. The Accountants Report to WEFO provided a clear explanation of the issue, but we understand no action will be taken and the cumulative position will remain incorrect. 	Not Quantifiable	-

Ref	Summary observations	Qualification	Amendment
4	<p>Flying Start (EYC01)</p> <ul style="list-style-type: none"> • Claim amended due to the following issues <ul style="list-style-type: none"> – Actual eligible expenditure was overstated compared with the accrual made. The remaining SLA contract value of £97,829.47 for ABUHB was manually accrued within the claim. However, the invoice actually received and paid was for £91,545, so £6,284.47 reduction made to the claim. – The claim accrued a number of purchase orders as supplementary creditors at year-end which should have been removed as not payable, i.e. there was no corresponding expenditure within the period. Review of the ledger identified claimed expenditure of £11,837 that in reality did not relate to accrued costs being claimed. • Claim qualified due to the following issues: <ul style="list-style-type: none"> – Test 4 of certification instruction EYC01 (6-14) requires the auditor to consider the following, “<i>Do entries on the statement, table of funding streams and supporting working papers reconcile to the Council’s accounts or data for the statement period?</i>”. We have not been able to validate the split of total actual eligible expenditure across the nine projects declared on the claim form. The analysis originally performed had not been retained nor could be reproduced by officers – Test 9 requires the auditor to consider the following, “<i>Are contracts in the claim awarded in accordance with standing orders?</i>” An SLA for the 2013-14 Speech and Language Therapy Services (SALT) with Aneurin Bevan University Health Board (ABUHB) had been entered into during the claim period. We have not been provided with evidence of Head of Service approval via an Excepted Contracts Form for this contract. Consequently, we are unable to definitively state whether the contract has been awarded in accordance with Standing Orders. – Test 11 requires the auditor to ensure that all virements have been made in accordance with the Welsh Government’s terms and conditions, including prior written approval. We have been informed that the movements between the original allocations and final allocations stated on the claim form were implicitly communicated to the Welsh Government in formal termly returns throughout 2013-14. Moreover, officers within the Council have stated that they contacted the Welsh Government via e-mail to request approval of these virements in a revised allocation letter. Unfortunately, we have not been provided with evidence of this request. Similarly, we have not been provided with any evidence that any movements between projects were explicitly agreed by the Welsh Government. 	Not Quantifiable	-£18,121

Ref	Summary observations	Qualification	Amendment
5	<p>Flying Start Capital (EYC02)</p> <ul style="list-style-type: none"> • Claim amended due to the following issue: <ul style="list-style-type: none"> – Total expenditure for substitute schemes (NCC reserves) amended to £236,679 from the £165,062 originally stated by NCC which was in fact a capped expenditure amount. Having consulted the Certification Instruction, no reference was identified to restricting the expenditure to the cap relating to grant received. Therefore, it was assumed that it should be the total expenditure amount on the Flying Start Capital Programme and amendment was made accordingly. No impact on the bottom line. • Claim qualified due to the following issues: <ul style="list-style-type: none"> – Test eight of certification instruction EYC02 (6-14) requires us to consider the following, “<i>Are contracts in the claim awarded in accordance with standing orders?</i>” – Signed contract documents were not made available to us for the works carried out at Monnow School (contract sum of £381,770 as per instruction order) or East Newport, Moorland Park (contract sum of £89,827 as per instruction order sent to contractor). This represents a breach of the Council’s Contract Standing Order No. 20 which states that the award of tenders/quotations must take place in the form of a contract document: “<i>For all Procurements valued at above £25,000, the decision to award a Contract shall be made using the Council’s pro forma Contract Award report unless the decision is to be made by a Corporate Director or Cabinet Member/Cabinet in which case the Council’s standard reporting forms for such decisions shall be used.</i>” – For the three remaining contracts (covering works undertaken at Somerton and Ringland Primaries, Carnegie Library and Millbrook and Malpas Court Primaries respectively), we were unable to view evidence of the Council’s approval of the terms of the contract. The relevant page of the contract where the Seal of the Council would have been placed has been sent to the contractors, with no copy retained on Council files. Consequently, we cannot confirm that the contracts have been awarded in accordance with the Council’s Contract Standing Order No. 24 which requires that: “<i>Every Contract in writing that exceeds £100,000 in value or amount shall be made under the Seal of the Council</i>”. – In addition - we note that the dates given for the commencement of works per instruction orders sent out to contractors preceded the dates on which the contracts were signed. Officers within the Council have responded that were this not to be the case, they would require longer mobilisation periods in order to utilise the funding provided inside the claim period ending 31 March 2014. 	Not Quantifiable	-

Ref	Summary observations	Qualification	Amendment
6	Families First (EYC14) <ul style="list-style-type: none">• Claim amended due to the following issue:<ul style="list-style-type: none">– Total approved allocation recorded on the claim form did not agree to supporting information covering the approval of every project within the claim, overstated by £1.90. The pre-populated claim allocation recorded by Welsh Government was not supported by the details of each project. Therefore, amended to record the exact allocation approved on each project. This had no impact on the bottom line balance on the claim	N/A	-

Ref	Summary observations	Qualification	Amendment
7	<p>Substance Misuse Action Plan Fund (HC02)</p> <ul style="list-style-type: none"> • Claim amended due to the following issue: <ul style="list-style-type: none"> – Casting and cross-casting of claim form identified discrepancies on two lines, both corrected with no impact on bottom line balance • Claim qualified due to the following issue: <ul style="list-style-type: none"> – Test 5 of certification instruction HC02 requires us to ensure that “<i>entries on the statement relating to transactions made by third parties agree to supporting records or independently certified statements and that this supporting evidence provides assurance that the grant was used for the purposes for which it was given</i>”. In addition, we are required by Test 8a) of the same CI to provide assurance via testing of prime documents that “<i>only eligible expenditure in respect of the approved plan is included</i>”. Our sample testing of expenditure incurred identified quarterly claims for reimbursement by the other Gwent local authorities for expenditure incurred under the arrangements operated by Newport City Council as banker for the Gwent Substance Misuse Area. The results of our testing did not find any issues on the documented audit trail for expenditure incurred directly by Newport City Council and also for Blaenau Gwent County Borough Council, where the quarterly claims were backed by invoices and the activities cited on the invoices agreed to the Gwent area Substance Misuse Action Plan. However, the quarterly expenditure claimed by the Caerphilly and Monmouthshire / Torfaen areas is supported only by an overall quarterly claim backed by summary expenditure reports analysed at project level but not supported by copy invoices or alternative documentation indicating the claim is accurate and complete. We have therefore been unable to validate whether the expenditure incurred is correctly accounted for against the correct project or indeed was eligible under the terms and conditions of the projects per the local Substance Misuse Action Plan. – We recognise that Newport City Council officials made efforts to seek more extensive documentation during the 2013-14 financial year, but this did not result in any further detailed analysis down to transaction level or invoices being provided. The expenditure claimed in relation to the four quarterly claims made by Caerphilly and Monmouth / Torfaen totals £2,449,916 out of total eligible expenditure claimed of £4,405,990.97, approximately 56% of the total claim by value. 	Quantified - £2,449,916	-

Ref	Summary observations	Qualification	Amendment
8	<p>NNDR Final Contribution Return (LA01)</p> <ul style="list-style-type: none"> • Claim qualified due to the following issue: <ul style="list-style-type: none"> – Lines 9 and 10 to the return disclose reductions made to NDR under S44a (partly occupied premises) for the current year and for previous years respectively. Sample testing of these lines identified the following reductions: <ul style="list-style-type: none"> ○ Line 9 – Scottish Power, acct 11254956, £187,634.42 ○ Line 9 – UBS Triton, acct 11309218, £7,287.28 ○ Line 10 – Severn Power, acct 1131882, £510,651.02 – In all three cases, the occupiers notified Newport City Council that parts of the sites they were responsible for paying NDR on had become unoccupied for part of the financial year. Ordinarily, Newport City Council would then request new certificates from the valuation office to apportion the rateable value between the revised occupied and unoccupied areas. Old certificates from 2012 were used instead, which were only valid for 1 year and therefore were technically not valid when used for calculating the partly occupied relief applicable to the 2013-14 financial year. – Therefore the relief was granted for these 3 cases without valid apportionments of occupied areas. However we understand from officers that the partly occupied relief calculated using the old occupied areas would not have altered had a new certificate been obtained, based on the companies' occupations, and the reduction in NDR under S44 is therefore accurate. – We undertook a full check on all S44 reductions to make sure that there were valid certificates in place, and determined the three instances noted above are the only reductions where a new certificate should have been obtained. 	Quantified - £705,572	-

Ref	Summary observations	Qualification	Amendment
9	<p>Teachers Pensions Return (PEN05)</p> <ul style="list-style-type: none"> Claim amended for following issue: <ul style="list-style-type: none"> Section 3 of the return gives an analysis of contributions by Tier. Discrepancies were identified within the Tiers when re-calculated using the contributory salaries disclosed, noting that the deductions disclosed did not match the expected rates in Tiers 1, 5 and 6 of 6.4%, 9.2% and 10.1% respectively. Testing of all deductions concluded that the individual pensions deductions were correct throughout, but the monthly salary information had not been consistently split correctly. The correct information was obtained and Section 3 amended. No impact on the bottom line balance. 	N/A	£0
10	<p>Communities First – West Cluster (RG03)</p> <ul style="list-style-type: none"> Assorted amendments made to recalculate eligible staff costs, removal of 14-15 costs incorrectly claimed, recalculate management costs, action proposed amendments picked up by the Council 's own preliminary review and amend audit costs from the initial estimate to an actual 	N/A	£-3,589
11	<p>Communities First – North Cluster (RG03)</p> <ul style="list-style-type: none"> Assorted amendments made to recalculate management costs and amend audit costs from the initial estimate to an actual 	N/A	£-2,370
12	<p>Communities First – East Cluster (RG03)</p> <ul style="list-style-type: none"> Assorted amendments made to remove ineligible spend on a project not covered by the Communities First agreement, recalculate management costs and amend audit costs from the initial estimate to an actual 	N/A	£-6,708
13	<p>Communities First – Central Cluster (RG03)</p> <ul style="list-style-type: none"> Assorted amendments made to recalculate management costs and amend audit costs from the initial estimate to an actual 	N/A	£-3,150

Ref	Summary observations	Qualification	Amendment
14	<p>Social Care Workforce Development Programme (SOC07)</p> <ul style="list-style-type: none"> Claim amended for following issue: <ul style="list-style-type: none"> The claim accrued a number of purchase orders as supplementary creditors at year-end which should have been removed as not payable, i.e. there was no corresponding expenditure within the period. As expenditure is capped to the approved grant on the claim form, additional eligible expenditure was identified to replace the ineligible expenditure affected. However, as this related to Training, the specific claim disclosure covering the value and percentage of total eligible spend on Training needed amendment 	N/A	£0
15	<p>Regional Transport Consortia Grant (TRA23)</p> <ul style="list-style-type: none"> Claim amended for following issue: <ul style="list-style-type: none"> Paragraph 19 to certification instruction TRA23 (7-14) explicitly requires the total of Lines 4a to 4d to be the total grant paid to the Council for the period, received up to the date of the CFO certificate. Entries in lines 4a to 4d of the Annual Return corresponded to Q1 to Q3 grant payments received in 2013-14 (£2,404,719.02) but omitted the Q4 grant claims made for Jan/ Feb and March 14 respectively. This amounted to a further receipt of £351,004.49 which reduced on the bottom line balance owed to the Council after an appropriate amendment was made. In addition, Test 11 to the CI requires auditors to report on the level of SmartCard data being used by operators to support their claims. In particular: <ul style="list-style-type: none"> The overall percentage of data being provided by the SmartCard system A breakdown by operator of what percentage of data is provided via the SmartCard system Any instances of where the source of the data cannot be verified. <p>As two of the seven operators do not have SmartCard readers fitted to their buses, we have had to report that their percentage of smartcard data must necessarily be zero for both these operators. As this is a specified report required under the CI to provide information to the grant-paying department within the Welsh Government, we do not regard this as a qualification.</p> 	N/A	£-351,004
Total effect of amendments to the Council		£-3,155,488	£-384,908

Recommendations

14. We have given each recommendation a risk rating and agreed what action management will need to take. We will follow up these recommendations during next year's audit.

Priority 1

Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.

Priority 2

Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

Priority 3

Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

Issue	Implication	Recommendation	Priority	Comment	Responsible officer
<p>A number of claims include expenditure incurred by third party partners and reimbursed by the Council before being included in the annual claim. It was noted that insufficient monitoring to prove eligibility of expenditure incurred by these third parties was being undertaken, resulting in one significant qualification.</p>	<ul style="list-style-type: none"> Grant claims may be qualified for lack of evidence collated by the Council proving all expenditure claimed is eligible under terms and conditions of grant In worst case scenario, grant could be clawed back from the Authority relating to this unsubstantiated third party expenditure 	<p>R1 Council officers should ensure that they have sufficient monitoring mechanisms in place to validate expenditure incurred by third party partners and then included in the Authority's claim.</p> <p>[NB - WAO Training provided to Council officers on 17 March 2015, including coverage of this issue]</p>	1		Grants Co-ordinator(s)

Issue	Implication	Recommendation	Priority	Comment	Responsible officer
<p>A number of errors were noted in completing various claim forms, which required amendment and could have been avoided by careful checking against instructions on claim completion. These amendments included changes to supporting disclosure with no impact on the bottom line balance, but also included one significant amendment to the balance of grant claimed.</p>	<ul style="list-style-type: none"> • Number of amendments made could be reduced by a more robust check to ensure all disclosures on claims have been properly made. • If no amendments were agreed, qualification would become necessary 	<p>R2 Review by officers prior to the claim being signed by the Chief Financial Officer or delegates should be improved to ensure that claims are completed accurately. The significance of completing both the Grants Completion Checklist and a supporting working paper file to prove all disclosures are accurate should be highlighted.</p> <p>[NB - WAO Training provided to Council officers on 17 March 2015, including coverage of this issue]</p>	2		Grants Co-ordinator(s)

Issue	Implication	Recommendation	Priority	Comment	Responsible officer
<p>Accrued expenditure was claimed on a number of claims comprising extant purchase orders accrued as supplementary creditors at year-end which should have been removed as not payable, i.e. there was no corresponding expenditure within the period and no defrayment after year-end.</p> <p>The year-end exercise by the Council to sanitise the supplementary creditor and remove all non-payable costs was not consistently performed</p>	<ul style="list-style-type: none"> Amendments were necessary to correct the claimed expenditure, and in one claim to identify substitute eligible expenditure If no amendments were agreed, qualification would become necessary 	<p>R3 The Council exercise to ensure the accruals made at year-end relate purely to valid expenditure that remains payable should be reviewed and performed consistently by all officers</p> <p>[NB - WAO Training provided to Council officers on 17 March 2015, including coverage of this issue]</p>	2		Grants Co-ordinator(s)

Issue	Implication	Recommendation	Priority	Comment	Responsible officer
Testing of contract awards covering expenditure incurred on a number of claims determined that proving compliance with the Council's Contract Standing Orders was difficult	<ul style="list-style-type: none"> Grant claims may be qualified for lack of evidence collated by the Council proving all expenditure incurred under contract related to contracts awarded properly in accordance with Standing Orders In worst case scenario, grant could be clawed back from the Council relating to this contract expenditure 	R4 Authority officers should ensure they can prove compliance with the Council's Contract Standing Orders for all contracts awarded under which expenditure is incurred [NB - WAO Training provided to Council officers on 17 March 2015, including coverage of this issue]	2		Grants Co-ordinator(s)

Fees

15. Our overall fee for the certification of grants and returns has decreased compared to the 2012-13 fees. There was a decrease in the number of grant certifications undertaken, mainly due to changes to the Communities First regime and the significant reduction in claims requiring audit, combined with the complete removal of two audits and a reduction in the local audit work required on three other claims. Beyond a simple quantum of claim numbers, there are a number of other factors to account for. The audits of some grant claims were completed quicker than in previous years and with either a lower number of issues identified or with swifter resolution of the issues arising. Conversely, there have been increases in costs incurred on the audit of a number of grant claims, partially due to the nature of the issues identified and their resolution, and partially due to employing a richer skill mix of staff at higher charge-out rates to conclude audits. The latter also contributes to the reduction in grants management and review time charged, as more time was spent working directly on audits leading up to their certification.

Breakdown of fee by grant/return	2013-14	2012-13
Housing and Council Tax Benefits (BEN01)	28,335	30,606
Schools Effectiveness Grant (EDU15) – <i>limited audit required in 2013-14</i>	318	4,554
Learning Pathways (EDU43) – <i>limited audit required in 2013-14</i>	262	2,607
Welsh in Education Grant (EDU44) – <i>limited audit required in 2013-14</i>	262	4,059
European Structural Funds (EUR01)	4,102	6,105
Flying Start (EYC01)	5,236	2,343
Flying Start Capital (EYC02) – <i>new in 2013-14</i>	4,564	0
Families First (EYC14)	3,258	1,683
Substance Misuse Action Plan Fund (HC02)	2,141	2,838
Mental handicap and illness strategy (HC03) – <i>no audit required 2013-14</i>	0	2,013
S.28A Grants (HLG03) – <i>decrease from 4 in 2012-13 to 2 in 2013-14</i>	1,813	2,376

Breakdown of fee by grant/return	2013-14	2012-13
NNDR Final Contributions (LA01)	4,641	3,383
Sustainable Waste Management (LA12)	1,647	2,145
Teachers Pensions (PEN05)	3,935	3,300
Communities First Grants (RG01 / RG02) - decrease from 17 in 2012-13 to 4 in 2013/14	9,575	18,315
Social Care Workforce Dev Programme (SOC07)	3,436	2,112
Regional Transport Grant (TRA16) – no audit required 2013-14	0	1,155
Free Concessionary Travel (TRA23)	2,467	1,881
Grant Planning, Management + Review	7,037	15,644
Total fee	£83,029	£106,228



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Report

Audit Committee

26 March 2015

Item No 14.

Subject Work Programme

Purpose To report the details of this Committee's work programme.

Author Scrutiny Support & Research Officer

Ward General

Summary The purpose of a forward work programme is to help ensure Councillors achieve organisation and focus in the undertaking of enquiries through the Audit Committee function.

This report presents the current work programme to the Committee for information and details the items due to be considered at the Committee's next two meetings.

Proposal The Committee is asked to endorse the proposed schedule for future meetings, confirm the list of people it would like to invite for each item, and indicate whether any additional information or research is required.

Contact Senior Overview and Scrutiny Officer

Action by Audit Committee

Timetable Immediate

This report was prepared after consultation with:

- Head of Law and Standards
- Head of Finance
- Head of Human Resources and Policy

Background

- 1.1 The purpose of a forward work programme is to help ensure Councillors achieve organisation and focus in the undertaking of enquiries through the Audit Committee function.

The Current Programme

- 1.2 Attached at Appendix1 is the forward work programme for this Committee. Below are the items scheduled to be presented at the Committee's next two meetings. Committee Members are asked to endorse this schedule, confirm the list of people they would like to invite for each item, and indicate whether any additional information or research is required.

28 May 2015

Appointment of Chairman
Internal Audit Annual Report 2014/15
Internal Audit Annual Plan 2015/16
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 3 and 4, Oct to March, Oct to Dec deferred from March meeting)
Financial Audit Outline 2014/15
Corporate Risk Register Update (considered by Cabinet in March)

25 June 2015

Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
Corporate Risk Register Update (Considered by Cabinet in June)
Annual Governance Statement
Draft Financial Accounts 2013/14

Financial Summary

- 1.3 Please see comments from Chief Financial Officer below.

Risks

- 1.4 If proper work programming procedures are not put in place, the organisation and prioritisation of the work programme is put at risk. The work of the Audit Committee could become disjointed from the work of the rest of the Council, which could undermine the positive contribution to service improvement.

The specific risks associated with individual topics on the work programme will need to be addressed as part of the Committees investigations.

Links to Council Policies and Priorities

2. Having proper work programming procedures in place ensures that the work of the Audit Committee makes a positive impact upon the Council's delivery of services, contributes to the delivery of corporate objectives, and ensures that work can be undertaken in a timely and well-planned manner.

Options Considered / Available; Preferred Choice and Reasons

3. The Committee is asked to endorse the proposed work programme for the current year, and note the topics due to be considered at the Committee's next meeting.

Comments of Monitoring Officer

4. I have no comments, as there are no legal implications.

Comments of Chief Financial Officer

5. There will be financial consequences for some of the reviews undertaken. These will be commented upon as the reports are presented. The preparing and monitoring of the work programme is done by existing staff for which budget provision is available.

Staffing Implications: Comments of the Head of People and Transformation

6. There are no staffing implications within this report. Any staffing implications of the reviews in the work programme will need to be addressed in individual reports.

Background Papers

7. Scrutiny Handbook (available at www.newport.gov.uk/scrutiny)

Appendix 1

(Audit Committee to meet every other month unless circumstances dictate otherwise)

28 May 2015
Appointment of Chairman
Internal Audit Annual Report 2014/15
Internal Audit Annual Plan 2015/16
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 3 and 4, Oct to March, Oct to Dec deferred from March meeting)
Financial Audit Outline 2014/15
Corporate Risk Register Update (considered by Cabinet in March)

25 June 2015
Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
Corporate Risk Register Update (Considered by Cabinet in June)
Annual Governance Statement
Draft Financial Accounts 2013/14

17 September 2015
Internal Audit Plan 2015/16 – Progress (Quarter 1)
Statement of Accounts 2014-15
Audit of Financial Statements Report 2014-15
WAO Regulatory Plans and Fees
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 1, April to June)
Regulatory Reports
Corporate Risk Register Update (Considered by Cabinet in September)

28 September 2015
Statement of Accounts 2014-15 (if not signed at 17September 2014 meeting)

26 November 2015
Internal Audit Plan – Progress (Quarter 2)
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 2, July to September)
Treasury Management Report
Lessons Learned 2014/15

28 January 2016

Internal Audit Plan – Progress (Quarter 3)

Financial Memorandum on the 2014-15 Financial Audit

Treasury Management Report

Internal Audit Unsatisfactory Audit Opinions (6 monthly report)

Corporate Risk Register (Considered by Cabinet in December)

24 March 2016

Annual Audit outline for the 2013/14 Financial Audit

SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 3, October to December)

WAO Annual Report on Grants Works

Regulatory Reports

Annual Governance Statement (draft statement)

Corporate Risk Register (Considered by Cabinet in March)

Member Development Self Evaluation Exercise

**Unallocated work
(Dates to be agreed)***Date of Issue**March 2015*

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