

Agenda



Audit Committee

Date: Thursday, 17 October 2019

Time: 5.00 pm

Venue: Committee Room 1 - Civic Centre

To: Councillors J Guy, J Jordan, L Lacey, H Thomas, K Thomas, R White, D Williams and P Hourahine

Item

- 1 Apologies for Absence
- 2 Declarations of Interest
- 3 Minutes of the Last Meeting (Pages 3 - 10)
- 4 Audit Committee Self Evaluation Exercise
Presentation by the Chief Internal Auditor
- 5 Public Sector Internal Audit Standards
Presentation by the Chief Internal Auditor
- 6 Corporate Risk Register Update (Considered by Cabinet in September) (Pages 11 - 46)
- 7 Call In the Chief Education Officer re the Internal Audit of School Trips and Visits resulting in a Second Unsatisfactory Opinion (Pages 47 - 62)
- 8 Call In the Headteacher and Chair of Governors of Caerleon School re the Internal Audit Unsatisfactory Opinion (Pages 63 - 74)
- 9 Date of Next Meeting
21 November 2019

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Date of Issue: Thursday, 10 October 2019

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Minutes

Audit Committee

Date: 5 September 2019

Time: 5:00pm

Venue: Committee Room 1

Present: Mr J Baker (Chair), Councillors R. White, P. Hourahine, J Jordan, D Williams, H. Thomas.

In attendance: Owen James (Assistant Head of Finance), Leanne Townsend (Lead Finance Business Partner), Dona Palmer (Audit Manager), Gareth Lucey (WAO Audit Manager), Anthony Veale (WAO Director), Meirion Rushworth (Head of Finance), Laura Campbell (Senior Finance Business Partner), Pamela Tasker (Governance Support Officer)

Apologies: Councillors K Thomas, L. Lacey and J. Guy
Andrew Wathan (Chief Internal Auditor)

1. Apologies for Absence

Councillors K. Thomas, L. Lacey and J. Guy

2. Declarations of Interest

None

3. Minutes of the Last Meeting

It was requested by the Audit Manager that on Page 5 of the minutes from 6 June 2019, for paragraph 6 and paragraph 8 to be deleted.

The Chair commented on page 6 of the minutes under the heading of **Internal Audit Unsatisfactory Audit Opinions** in relation to the decision by the Committee to call in the Chief Education Officer on the Internal Audit of School Trips and Visits resulting in a second Unsatisfactory opinion, and also the decision by the committee to call in the Headteacher and Chair of Governors of Caerleon School regarding the Internal Audit Unsatisfactory opinion. It was agreed to delay this until October's Audit Committee as a result of advice provided by the Chief Internal Auditor, that September was a very busy time for schools with the beginning of a new term therefore it was agreed for those individuals to be called in to Octobers Audit Committee.

The Chair also commented on page 9 of the minutes under the heading **Annual Governance Statement Draft 2018/19**, that the Letter response from the Chief Executive following Unsatisfactory Audit Opinions within City Services needed to be referenced in the Annual Governance Statement. The Assistant Head of Finance agreed to check this.

It was questioned as to whether the CIPFA Norse report was due to be discussed during this meeting and was the report available for Committee members to view. It was confirmed by the Head of Finance that a draft report had been seen by the Chief Executive and the Leader of the Council and that enquiries would be made as to whether the report had been finalised and whether this could be made available to Audit Committee members.

Agreed:

To confirm the Minutes of the 6 June 2019.

4. Audit Enquiries Letter 2018/19

The Committee was requested to view the Audit Enquiries Letter 2018/19. It was explained by the WAO Audit Manager that the team was required to consider the risks of material misstatement due to fraud and that they also needed to understand how the Audit Committee exercises oversight of management processes.

There was a standard check list to be completed and responses were compiled from Management and from the Audit Committee.

It was confirmed that no areas were affected.

The Chair commented on page 4 question 2, that it was the same response as question 5 but was the question put to a different audience? The Chair asked whether the team were aware of any incidents (page 19 of the report) and whether they were happy with the response.

The WAO Audit Manager stated that they were happy to confirm verbally and that a response could be added which the Chair requested as that was an oversight.

5. Statement of Accounts 2018/19

The Chair commented that a cover note was needed to state what was expected of the Audit Committee.

The Committee was shown a presentation by the Senior Finance Business Partner.

Main points:

On the 6th of June 2019 the draft accounts were presented to the Audit Committee and the accounts went on display for the public from the 26th of June to the 23rd July 2019.

The intention was to issue an unqualified audit report on the financial statements.

There were two uncorrected misstatements:

- Actuaries have had a look at the impact on the pension fund and there was an understatement of pension liability by £2.562m arising from the McCloud Judgement.
- Accounting treatment of loan modifications under IFRS 9

There was an increase in ear marked reserves and both of these issues were technical in nature and non-cash.

- For 2018/19 the final date on which the accounts had to be signed and dated was brought forward from the 30th June to 15th June with an audited statement completed by the 15th September. This will be the same for 2019/20.
- From 2020/2021 the draft statement of accounts would need to be completed by the 31st May to be signed by 31st July. This year the Statement of Accounts were signed by the Head of Finance on the 7th June so within the deadline however improvements needed to be made.

The Letter of Representation was to be signed by the Chair and Head of Finance to authorise this and the Audit Committee was to authorise the Chair and the Head of Finance to sign the Statement of Accounts.

The published accounts would be on the website on the 15th September 2019.

Questions:

- A Member asked a question regarding pension provisions and whether the pension liability was rising and whether it affected Newport Transport Limited and the Education Achievement Service (EAS).

It was explained that the EAS wouldn't be part of this and that it would have its own deficit as this was not part of Newport Council's. In relation to EAS, the percentages that Newport City Council receives we do not put EAS as part of our joint account, it was the same in nature and would not affect the accounts. EAS were their own body in terms of pension evaluation.

In relation to contingent liabilities it was explained that the Council acted as a guarantor and the liability had not arisen. The Chair commented that this was not quite correct, and the event had been determined by the Supreme Court and if it was a provision then it could be argued and if you knew what the value was providing, then a contingent could be made.

There was a difference of interpretation in the materiality perspective. The Chair also commented on the accounts and the recorded £2.4 million underspend.

The Assistant Head of Finance commented that this would be reversed out through the pension reserve with no impact on the general fund and that IFRS also had not made an impact, so it was not processed.

The Assistant Head of Finance also commented that in relation to the McCloud Judgement, the material nature was a big part and that if it had been material more would have been asked from the actuaries. It was commented that the Gwent authorities were asked what they were doing, and it was all still going through the UK government and it was not known at this stage whether it would be funded or not and WAO had said that it was a provision.

It was also stated by the Assistant Head of Finance that when the actuaries were asked, they had not been very forthcoming in providing a significant cost as to whether we spend a lot of money or do we adjust for one year. The Chair commented that they felt this was not what was written in the report.

The Chair explained that materiality was about £4.5 million and that in the past materiality was used as a gage so what was said was what was written in the accounts. The Chair recommended that the wording needed to be changed but that they were happy to go with what was being said but that it could have been made a lot clearer that the underspend was not affected.

- A Member commented that the Gwent Drainage Board was still being referred to in the accounts on page 99 and that this needed to be updated.

The Chair also commented on page 32 regarding Provisions in relation to the last paragraph that there was still a provision even if the Council had no control over it and if there was an uncertainty as to whether things would happen, if it was 70% likely then you would provide for it.

The Chair commented on page 139 of the accounts and wondered what 179f was under 'Estimated Exposure to Non-payment March 2019' and it was confirmed that it was a typo.

- A Member queried pages 62/64; item 3.50 and as to whether they were repeated on both pages and the Chair confirmed that they looked like the same item. The Head of Finance commented that this was an outstanding issue from the previous year, and therefore it was the same issue. The Chair requested that it could be made clearer.

It was noted that the financial statements could change after they were signed off and that they can be altered by the time they get on the website and that it was the responsibility of Newport City Council for anything published on the website.

- A Member asked what the Newport City Council group was. This was confirmed to be the Newport Transport Group and there were certain criteria present which allowed a company to be in the group accounts or absent from them.

It was discussed that about 3 years ago that the Newport Transport Group was to be included into the group of accounts and the Chair mentioned that maybe this could be brought up again as to how group entities were treated and how companies were treated in different ways. The Chair requested that this item could be reviewed in the draft stage in February 2020.

- A Member asked how contribution worked. It was discussed how a contribution to Norse was normal expenditure, the Council received their accounts and profit share. City Services dealt with it as well as the finance business partners in this area. It was a normal standard income line.

Agreed:

The Audit Committee agreed for the accounts to be signed off by the Chair and the Head of Finance.

The Statement of Accounts were signed by the Chair and the Head of Finance.

6. Audit of Financial Statements Report 2018/19

The Committee were requested to view the Audit of Financial Statements Report 2018/19 which was an opinion on whether the financial statements gave a true and fair view of the financial position of Newport City Council and Newport City Council Group.

Main points:

- It was the intention to issue an unqualified clean audit report on the financial statements once a Letter of Representation was provided.
- The Committee was asked to view page 184; Appendix 3 in relation to the Summary of Corrections made to the draft financial statements and it was noted

that although there were a lot of areas to cover none of the corrections impacted on the general fund balance.

- On page 173 the McCloud judgement was nonmaterial and didn't affect them but needed to be brought to attention.
- There was also one other issue on page 174, during a review of related party transactions this year it was found that Council staff did not receive declarations of interest from the majority of Council Members as part of the work over related party disclosures of cases and there was nothing disclosed on party accounts.

The Chair asked whether Members should be contacted. The Assistant Head of Finance confirmed that Finance would be liaising with the Democratic Services Team. The Chair enquired as to whether there was anything the Audit Committee could do, and it was noted that this was an opportunity to nudge the process along.

Agreed:

- For the Head of Finance to draft a letter to all Members of the Council that improvements were needed in that respect and that Finance would work with Democratic Services department and for all Members to engage with this.
- It was confirmed by the Head of Finance that the letter would set out what the problem was and what Members should do and what was required.

The Chair commented on the £6.2million value of correction on page 184 and queried whether this was above the threshold level and why it was not picked up over the year. The Senior Finance Business Partner confirmed that this would be changed as to how it was accounted for in the ledger and that this was an oversight that would not occur again.

It was commented that Capital had been resolved as it seemed to always have been an issue and that there was nothing wrong with the figures but the problem was that there were a lot of errors and the Chair enquired as to whether there was not enough attention to detail as it was a continuing issue.

The Head of Finance stated that there was a problem with resources and commented that there was a lot of information to get through and with the current climate, a reasonable job was being done in the time available but things did slip in the capital area but that there was a need to be pragmatic.

The Chair commented that maybe a lot more assurance could be given during the year and that maybe corrections could be made earlier in the draft area of the accounts.

A Member asked whether there was an accounting glitch and the Chair commented that it looked like a slip on the budget spend from an Audit Committee point of view and that the Cabinet had already agreed to the money being spent.

The Head of Finance commented that they were looking to phase in budgets in a more realistic way and that there was more work to do, for example in relation to Education projects which were not stopping.

It was confirmed that officers had not spent the money as the money came from Welsh Government late in the year.

The Chair requested that if this was in the accounts then it gave the reader more information.

The Head of Finance confirmed that in relation to capital, only what was spent was reported and what was spent which was capital monitoring. It was confirmed that this was a factual document on what was spent in the last year.

If £10 million had been not spent Cabinet would approve the funding to be carried over into next year and then the budget would go up.

It was commented that if Welsh Government gave us £5million and it was not spent then it just remained in the bank account.

It was noted that the Letter of Representation had to be signed by the Chair and the Head of Finance.

Agreed:

The Committee agreed for the Chair and the Head of Finance to sign the Letter of Representation.

The Letter of Representation was signed by the Chair and the Head of Finance.

The Chair questioned as to whether Learning lessons was completed, and it was agreed that this would come back to the Audit Committee in the future.

The Chair gave thanks to the Finance and Audit departments for their hard work.

7. Progress Against Internal Audit Plan 2019/20 Quarter 1

The Committee was requested to view the progress against the Internal Audit Plan 2019/20. The report was to inform Members of the Council's Audit Committee of the Internal Audit Section's progress against the 2019/20 agreed audit plan for the first 3 months of the year. The Audit Manager confirmed that the team currently operated with an establishment of 8 audit staff and at the start of the year there were 7 audit staff.

The main points were as follows:

- The Internal Audit Team was externally assessed a couple of years ago in 2017/18 and was found to be generally compliant with the Public Sector Internal Audit Standards (PSIAS).
- The Audit Sections performance was measured against planned work and in the 1st quarter 2019/20; 18% of the audit plan was completed, as shown in Appendix A. The Audit Manager confirmed that the team were well on target in relation to performance indicators.
- 41 days had been spent finalising twenty two 2018/19 audit reviews; 12 of which have now been finalised.
- In relation to Quality Control service managers were sent an evaluation questionnaire and generally there had been positive feedback from service managers.
- Appendix B provided details of audit opinions issued so far for Quarter 1 and Appendix D provided a definition of audit opinions currently given.
- Two jobs completed to at least draft report stage by 30 June 2019 merited an audit opinion where 1 was *Reasonable* and 1 was *Unsatisfactory*. Other work

completed related to the Annual Governance Statement, Financial Advice and SWCAG Training.

- In relation to Service Management Responsibility there had been some training undertaken with managers as they were responsible for addressing any weaknesses identified in the systems.
- It was reiterated that the Appendices on page 200 summarised the performance indicators which showed that the team were ahead of profile targets.
- On page 201 under Management Information for 2019/20 Q1, 2 audit opinions were given, with 1 *Reasonable* and 1 *Unsatisfactory* with 3 Unqualified which related to Grants.
- Page 202 summarised Non-Opinion work 2019/20 Q1.

Questions:

- A Member of the Committee commented on Civil Enforcement Parking and why the risk rating was high. It was confirmed that this project was very important and had very tight timescales with the initial start date of the 1st July 2019 and it also had a few teething problems.
- In relation to the unsatisfactory opinion a Member questioned as to whether the Committee would be informed of the issues arising. It was confirmed that details would be brought to the Audit Committee in 6 months in January's meeting and a follow up audit would be carried out as part of next year's audit plan. It was commented that it was a long period of time for an unsatisfactory audit opinion to be followed up.

Confirmation was given that the follow up by the Audit team would not be for 6 months or so to get an update, as timescales were sought as well as management actions as managers needed that time to implement changes etc. If issues were still present and a further unfavourable audit opinion was given, then the next process would be to call in management or the Head of Service.

- It was questioned by a Member that the number of sessions provided to train staff in all areas was 0 and it was explained that there was a session that was meant to take place in May but no one signed up for this and also more sessions took place in July.

Comments were made on the fact that areas within City Services were still coming up as Unsatisfactory. Reference was made to the Letter from the Chief Executive and that more time was needed for the service to resolve the matter, but it was a regular occurrence and Internal Audit needed to guide the Committee to ascertain how much time should be given. It was commented that the Head of Service was new and that this occurred 2 years ago and that the Head of Service was using reports given to them and was encouraging Audit to come in and were using the process to see what needed to be looked at and it was a positive approach.

The Chief Executive has said the above in the letter provided to the Committee and that the process would take time. It was commented by the Head of Finance that the new Head of City Services was working hard but that it was a long way away from where it needed to be.

8. SO24/Waiving of Contract SO's: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SO's (Quarter 1, April to June)

Members were requested to view Standing Order 24. The Audit Manager confirmed that there had been one urgent decision taken by the Cabinet Member for Regeneration and Housing.

- The reason for urgency was that the Repayable Funding awarded by Welsh Government needed to be claimed in full by the 21 March 2019 and if it had not been claimed then it would have ceased to have been available to Newport City Council after this time.
- Appendix A on page 210 contained a timeline of events which stated that confirmation of the funding was not received until the 5th March 2019.
- The Chief Internal Auditor had provided comments which stated that appropriate justification for the urgency of the decision was confirmed and was included within the report.

The Chair requested for the Audit committee to confirm as to whether they were happy to accept this.

The funding was made available by Welsh Government to regenerate the town centre to give to businesses etc and Welsh Government provided funding to the service area late in March, so the report was urgent.

A Member asked as to who carried the liability of a non-repayment and it was confirmed that charges were held by Newport City Council, so it was a risk if nothing was repaid. It was also questioned as to whether there was a maximum to the loan, and it was confirmed that Welsh Government did not put a maximum on it but the Council would, in terms of looking at each application and it was a case by case basis.

A member asked that historically would the Council know how many companies would not pay back and was this an opportunity for fraud.

The Chair commented that if for example £50,000 was loaned but the return was only £20,000 then this was subject to risk. It was confirmed by the Assistant Head of Finance that the risk would be assessed and so far, the risk was quite low and so far, none had defaulted. If the Council only take out a certain amount of money and do not pay back the loans are open ended.

Administration fees on the loans were questioned by a Member and it was confirmed that some schemes do charge these fees, and some do not, and the Regeneration team would have to assess this.

Agreed: The Committee noted and endorsed the report.

9. Date of Next Meeting

17 October 2019

Report

Audit Committee

Part 1

Date: October 2019

Item No: 6

Subject **Quarter 1 Corporate Risk Register Update**

Purpose To present an update of the Corporate Risk Register for the end of quarter 1 (30th June 2019).

Author Head of People and Business Change

Ward All

Summary The Council's Risk Management Strategy and Risk Register enables the Council to effectively identify, manage and monitor those risks to ensure that the Council realises its Corporate Plan and ensure service delivery is provided to its communities and citizens.

At the end of the 2018/19 financial year we undertook an organisation review of the Council's risks and asked each service area to identify the risks that will prevent them from achieving the Council's corporate objectives and their service plan objectives. The result of this review has led to the establishment of a new Corporate Risk Register that now has 12 risks, which are considered to have a significant impact on the achievement of the Council's objectives and warrant monitoring by the Council's Senior Leadership Team and Corporate Management Team. At the end of quarter 1, we have identified 7 high level risks (risk scores 15 to 25); 5 medium risks (risk scores 5 to 14).

Proposal Audit Committee is asked to consider the contents of this report and assess the risk management processes in place for the Authority.

Action by Senior Leadership Team and Heads of Service

Timetable Immediate

This report was prepared after consultation with:

- Senior Leadership Team (SLT)
- Corporate Management Team

Signed

Background

The Wellbeing of Future Generations (Wales) Act 2015, requires Newport City Council to set Wellbeing Objectives in its Corporate Plan 2017-22. With any Corporate Plan there will be risks that may prevent the Council from achieving its objectives. The Council's Risk Management Strategy and Corporate Risk Register enables the Council to effectively identify, manage and monitor those risks to ensure that the Council realises its Plan and ensure service delivery is provided to its communities and citizens.

As outlined by the Council's Constitution, the Audit Committee is required to examine and assess the risk management processes in place with comments and recommendations of the Committee on risk process considered by Cabinet.

1. Risk Management Strategy

In May 2018, Cabinet endorsed the Council's Risk Management Strategy. The Strategy outlines the Council's governance arrangements in the identification, escalation, management and monitoring of risk. In 2018/19 we commenced a review of the Council's risk management processes and to improve the arrangements in place for managing risk across the organisation. This was also supported by an Internal Audit review which had also identified similar improvements in the Council's risk governance and management processes. At the end of the last financial year improvements had been made to the Council's risk register that now enables:

- Monitoring of risks at corporate, service and project levels in the organisation;
- Enable alignment to the Council's corporate plan objectives (Wellbeing and Theme) and service plan objectives;
- Incorporation of inherent, residual and target risk scores;
- Risk mitigation actions are now monitored through a RAG (Red / Amber / Green) assessment every quarter with progress of delivery included against each action;
- Risk mitigation actions are also linked to service plan actions (where applicable) to improve and demonstrate how service plan actions are mitigating risk.

As part of the Council's annual review of service plans we asked each service area to review their corporate, service and project risks and to identify any risks that would prevent them from achieving their objectives in 2019/20 and beyond. The result of this work identified 57 risks and following consultation with the Council's Senior Leadership Team 12 risks were escalated for monitoring through the Council's Corporate Risk Register (See appendix 1). The remaining risks will continue to be monitored through the Council's Theme Boards (Resilient Communities / Aspirational People / Thriving City / Modernised Council), Service Area Management Teams and Project Boards on a quarterly basis. Mechanisms are now in place for service areas to escalate risks and for the SLT to de-escalate risks back to the service areas.

2. Summary of risks in this report

At the end of quarter 1 (30th June 2019) there were 12 corporate risks which consisted of 8 High risks (15 to 25); 4 Medium Risks (5 to 14). The risk mitigation actions identified for each risk is imperative for outlining how these risks are managed and enable the Council achieve its objectives. Appendix 1 of this report provides a summary of the new Corporate Risk Register for 2019/20. We would like to highlight the following risks for Cabinet's attention:

- **Brexit** – The Brexit risk has been carried forward into 2019/20 and its risk score has increased to 16 which reflects the change of Prime Minister and likelihood of a 'No Deal' Brexit by the 31st October 2019. The Council's Brexit Task & Finish group has been monitoring the situation throughout quarter 1 and we have increased our communications with Welsh Government, Welsh Local Government Association and Gwent Local Resilience Forum.

- **(NEW) Demand for Additional Learning Needs (ALN) and Special Education Needs (SEN) support** – This is a new risk that has been escalated to the corporate risk register (Risk score 12). This risk relates to new legislation being introduced and unknowns in relation to its potential impact on Education services and school support in the city. Actions have been identified in Education Services to reduce this impact.
- **(NEW) Educational Out of County Placements** – This risk is linked to the ALN and SEN risk above and has been scored 16. This risk relates to the increased pressure on the Council's existing provision for ALN and SEN support and the potential of increased reliance on placements outside of the city.
- **(NEW) Schools Finance / Cost pressures** – This risk has been escalated to the Corporate Risk Register and is related to schools financial pressures being faced in 2019/20. Several schools have forecasted potential deficits at the end of the financial year. Education Services and Finance teams are working together with the Schools to identify actions to mitigate these pressures and implement action plans to improve their end of year financial position.

Appendix 2 of this report is the Council's Corporate Risk Register. Following development of the Council's Management Information Hub, the layout and information contained in the register has now changed.

3. Next Steps

To support the development of a risk appetite and the new system, we will develop a new Risk Management Policy that will replace the current Risk Management Strategy. This will incorporate the Council's Risk Appetite statement and update the Council's governance arrangements for managing risk. We will also develop a Risk Management procedure document and guidance to support the Policy and embed risk management culture. It is anticipated for these documents to be ready for review by the Audit Committee in quarter 3 to review the Policy for comments to Cabinet. We are planning for these new documents to be ready for Cabinet by December 2019.

Financial Summary

There are no direct costs associated with 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?
The Council does not achieve its objectives as corporate level risks are not adequately managed and monitored.	M	L	Risk Management Strategy has been adopted and mechanisms are in place to identify, manage and escalate emerging and new risks / mitigation strategies. Audit Committee oversight of risk management process.	Directors, Heads of Service and Performance Team

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

Robust risk management practices increase the chances that all of the Council's priorities and plans will be implemented successfully.

Options Available and considered

1. To consider the contents of the Corporate Risk Register and to continue monitoring progress of actions taken to address the risks identified in the report.
2. To request further information or reject the contents of the risk register

Preferred Option and Why

1. Option 1 is the preferred option with recommendations raised by the Audit Committee to be considered and reported to Cabinet and Officers in accordance with the Council's Constitution.

Comments of Chief Financial Officer

There are no direct financial implications arising from this report. The corporate risk register forms an important part of the governance and budget setting arrangements for the council and the risk register is used to guide the internal audit plan.

Comments of Monitoring Officer

There are no specific legal issues arising from the report. As part of the Council's risk management strategy, the corporate risk register identifies those high-level risks that could impact upon the Council's ability to deliver its corporate plan objectives and essential public services. Although Audit Committee are responsible for reviewing and assessing the Council's risk management, internal control and corporate governance arrangements, the identification of corporate risks within the risk register and monitoring the effectiveness of the mitigation measures are matters for Cabinet.

Comments of Head of People and Business Change

Risk Management in the Council is a key area to implementing Wellbeing of Future Generations Act (Wales) 2015. Effective monitoring and reporting against the Council's Corporate Risk Register is essential in minimising and preventing the likelihood and impact of risks against our objectives. The recent changes made to our risk management processes and system will ensure officers at all levels of the organisation have greater control and oversight of their risks taking the necessary action to mitigate their impact and escalate where necessary to senior management.

Comments of Cabinet Member

The Chair of Cabinet has been consulted and has agreed that this report goes forward to Audit Committee for consideration with Audit Committee comments and recommendations reported back to Cabinet in the next quarters update.

Local issues

None.

Scrutiny Committees

Not Applicable. Audit Committee have a role in reviewing and assessing the risk management arrangements of the Authority.

Equalities Impact Assessment

Not applicable.

Children and Families (Wales) Measure

Not applicable.

Wellbeing of Future Generations (Wales) Act 2015

Risk management is a key area to implementing the Wellbeing of Future Generations Act (Wales) 2015. The council must ensure that it considers risks in the short, medium and longer term and that it manages risks in a manner that protects current service delivery and communities as well as considering the longer term impact. It supports the delivery of the wellbeing objectives that are identified in the council's Corporate Plan by considering the risks to delivering these objectives and by defining and monitoring actions to mitigate those risks.

The Corporate Risk Register helps the council to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs by considering the sustainable development principle set out in the Wellbeing of Future Generations (Wales) Act 2015.

Crime and Disorder Act 1998

Not applicable.

Consultation

As above, the Risk Register is considered by Audit Committee and Cabinet.

Background Papers

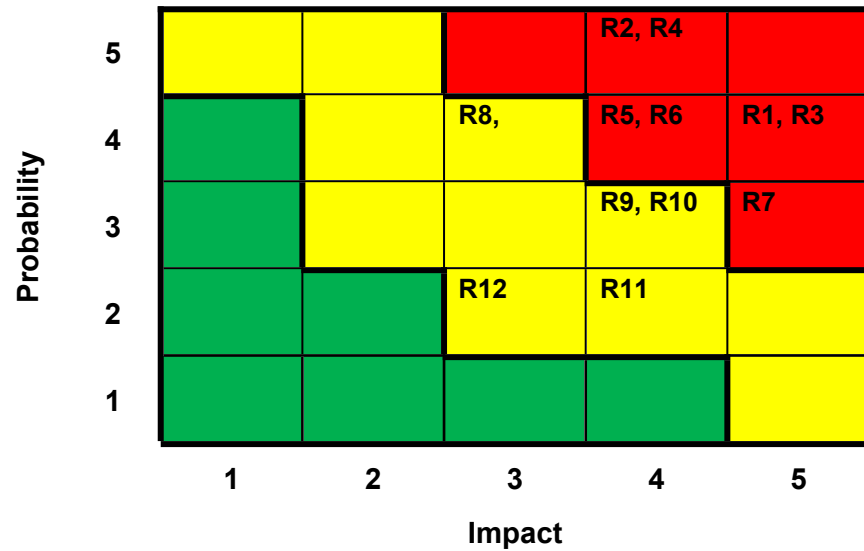
Cabinet Report, September 2019

Corporate Risk Strategy, June 2018

Audit Committee Report, June 2018

Dated: October 2019

Appendix 1 - Quarter 1 Corporate Risk Heat Map



Corporate Risk Heat Map Key	
R1 – Balancing the Council’s Medium Term budget	R7 – City centre security and safety
R2 – Stability of social services providers	R8 – Climate change
R3 – Highways network	R9 – (NEW) Demand for ALN and SEN support
R4 – (NEW) Schools finance and cost pressures	R10 – Newport Council’s property estate
R5 – Decision to leave the European Union (Brexit)	R11 – In year financial management
R6 – (NEW) Educational out of county placements	R12 - Safeguarding

Risk Score Profile between Quarter 2 2018/19 and Quarter 1 2019/20

Risk Position	Risk No. - Description	Risk Score Quarter 2 2018/19	Risk Score Quarter 3 2018/19	Risk Score Quarter 4 2018/19	(Current) Risk Score Quarter 1 2019/20
R1	Balancing the Council's Medium Term budget.	20	20	20	20
R2	Stability of Social Services Providers	16	20	20	20
R3	Highways Network	25	20	20	20
R4 (NEW)	Schools Finance / Cost Pressures	-	-	-	20
R5	Decision to leave the European Union (Brexit)	9	16	12	16
R6 (NEW)	Educational Out of County Placements	-	-	-	16
R7	City Centre Security and Safety	-	15	15	15
R8	Climate Change	12	12	12	12
R9 (NEW)	Demand for ALN and SEN support	-	-	-	12
R10	Newport Council's Property Estate	-	12	12	12
R11	In year financial management	8	8	4	8
R12	Safeguarding	8	6	6	6

Glossary

This document provides an explanation of terminology used in this report and supporting documents.

Risk Appetite – the amount of risk that Newport City Council is willing to seek or accept in the pursuit of the Council's long term objectives.

Inherent Risk Score – The level of risk in the absence of any existing controls and management action taken to alter the risk's impact or probability of occurring.

Residual Risk Score – The level of risk where risk responses i.e. existing controls or risk mitigation actions have been taken to manage the risk's impact and probability.

Target Risk Score – The level of risk (risk score) that Newport City Council is willing to accept / tolerate in managing the risk. This is set in line with the Council's overall risk appetite.

Risk Mitigation Action – Actions identified by the Risk Owner to respond to the risk and reduce the impact and probability of the risk of occurring.

Risk Mitigation Action (Red Progress Score) – Significant issue(s) have been identified with the action which could impact on the ability of the action meeting its completion date. Immediate action / response is required resolve its status.

Risk Mitigation Action (Amber Progress Score) – issue(s) have been identified that could have a negative impact on the action achieving its completion date. Appropriate line manager(s) should be informed and where necessary action taken.

Risk Mitigation Action (Green Progress Score) – The action is on course for delivering to the agreed completion date and within the agreed tolerances.

How the Council Assesses Risk

An assessment of the likelihood and impact of risk is important to measure, compare and monitor risks to ensure efficient use of resources and effective decision making. This assessment is carried out using the risk matrix as described below.

Risk Assessment Matrix

A Corporate Risk Register will contain the high level risks for the whole authority. In order to differentiate between these high level risks a 5x5 risk assessment matrix will be applied. The matrix is shown below and further detail is included in appendix 3.

Risks are scored using the scoring system for probability and impact and assigned a rating based on the tolerances set out in the matrix below

Impact Matrix

Rating	Severity of impact	Impact factors (and examples of what they might look like)						
		Strategic	Operational	Financial	Resources	Governance	Health & Safety	Reputational
1	Negligible		Brief disruption that has a minor impact on the delivery of a service. Service disruption less than a 1 day	Unplanned budgetary disturbance <£100k	Loss of asset/money with value >£2k		Reportable (non-serious) accident affecting one employee/member of public/service user	Isolated complaint(s)
2	Low		Brief disruption of a non-critical service(s) Service disruption 0-2 days	Unplanned budgetary disturbance £100-£500k	Loss of asset/money with value £2-10k	Mild WAO criticism in report. Mild criticism from a legal/regulatory authority. Isolated fraud	Reportable (non-serious) accident affecting small number of employees/members of public/service users	Formal complaints from a section of stakeholders or an institution
3	Medium	Noticeable constraint on achievement of a key strategic objective	Loss and/or intermittent disruption of a service between 2-3 days	Unplanned budgetary disturbance £500k-£2M	Loss of asset/money with value £10-50k	Adverse WAO report. Significant criticism from a legal/regulatory authority requiring a change of policy/procedures. Small-scale fraud relating to a number of people or more significant fraud relating to one person	Reportable (non-serious) accident(s) affecting a significant number of employees/members of public/service users or a serious injury to a single employee/member of public/service user	Formal complaints from a wide range of stakeholders (e.g. several institutions), adverse local press, complaint/s upheld by Ombudsman
4	High	Severe constraint on achievement of a key	Loss of an important service(s) for a short period that could impact on stakeholders.	Unplanned budgetary disturbance £2-5M	Loss of asset/money with value £50-100k	Qualified account. Severe criticism from WAO/legal/regulatory authority requiring major overhaul of	Serious injury of several employees/members of public/service users	Significant loss of confidence amongst a key stakeholder group.

Rating	Severity of impact	Impact factors (and examples of what they might look like)						
		Strategic	Operational	Financial	Resources	Governance	Health & Safety	Reputational
		strategic objective	Service disruption 3-5 days			policy/procedures, Significant fraud relating to several employees		Adverse national press
5	Very High	Failure of a key strategic objective	Serious organisational / service failure that has a direct impact on stakeholder's Inc. vulnerable groups. Service disruption 5+ days	Unplanned budgetary disturbance >£5M	Loss of asset/money with value >£100k	Severe service failure resulting in WAG intervention/special measures Widespread significant fraud	Death of employee(s)	Severe loss of confidence amongst several key stakeholder groups. Damning national press

Probability

Score	General Description	Definition
1	Very Low probability	2% chance of occurrence
2	Low probability	5% chance of occurrence
3	Medium probability	10% chance of occurrence
4	High probability	20% chance of occurrence
5	Very high probability	50% chance of occurrence

Balancing the Council's Medium Term Budget

Short Description	To meet the Council's requirement of reducing the gap between Council spend and Budget allocation over the next 3-5 years
Overseeing Officer	<ul style="list-style-type: none">■ Chief Executive■ Head of Finance■ Strategic Director - People■ Strategic Director - Place
Lead Cabinet Member(s)	<ul style="list-style-type: none">■ Leader of the Council
Linked Theme	
Linked Corporate Objective	

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Balancing the Council's Medium Term Budget

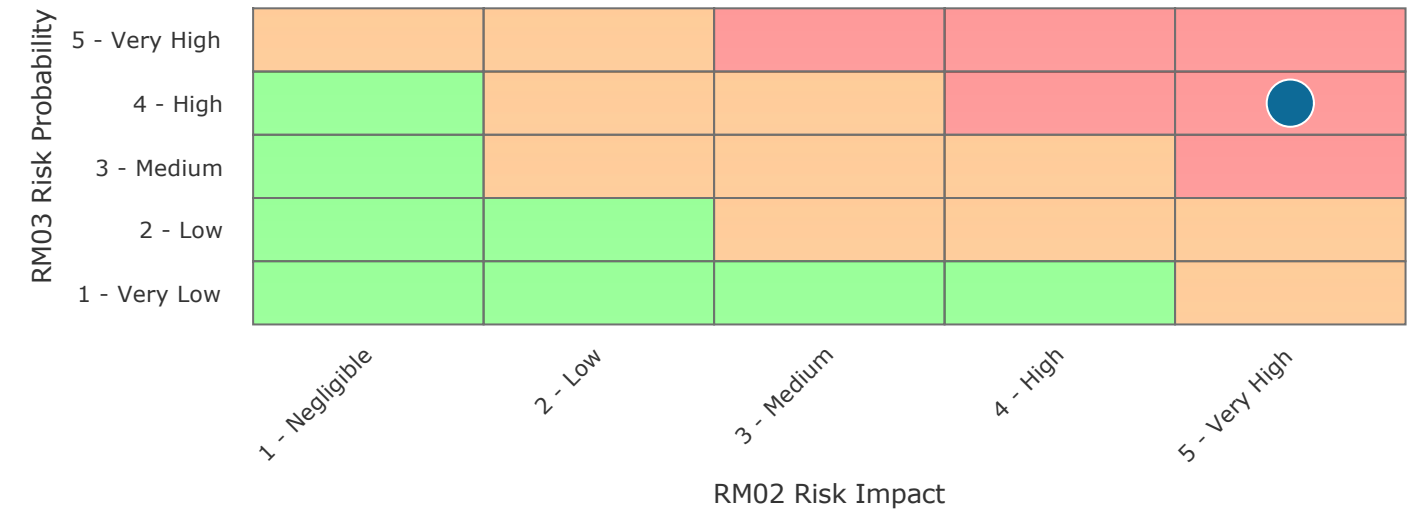
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Inherent Risk Score

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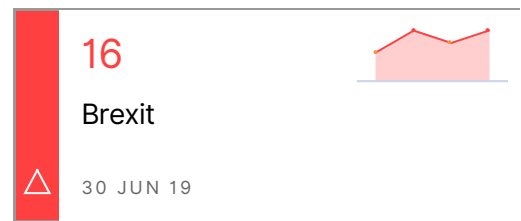
Target Risk Score



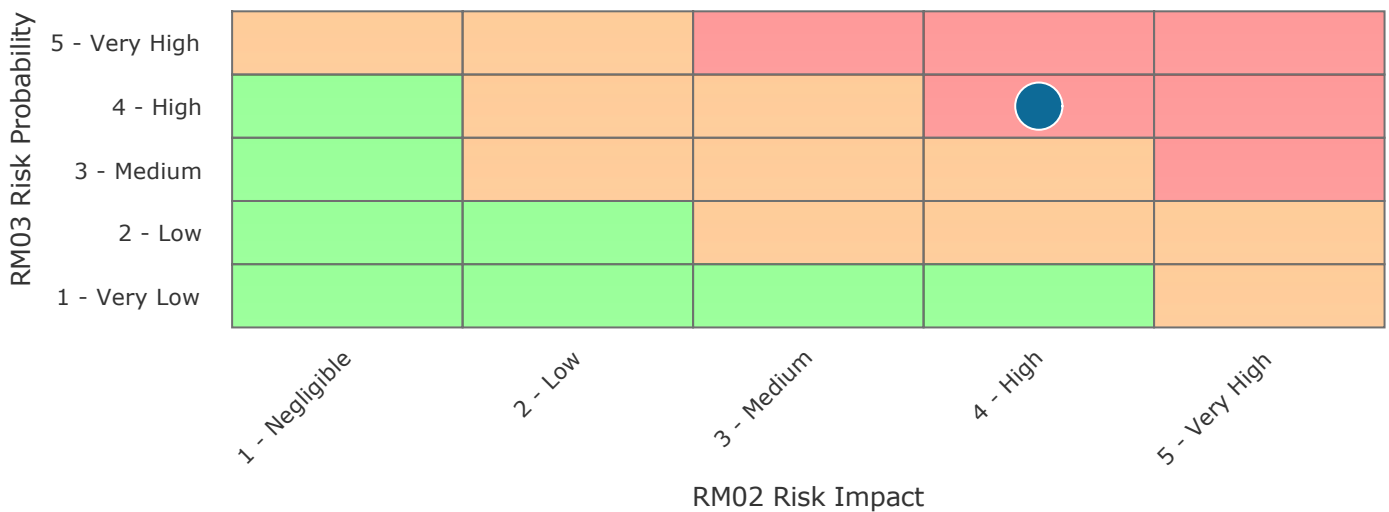
Action Name	Risk Cause(s)/Impact(s)	Action Description	% Complete	Jun 2019
 SLT and CMT to identify savings to reduce the budget gap over the medium term		SLT and CMT to identify savings to reduce the budget gap circa £30million over the medium term.	0%	
 To update SLT on MTFP position		Following meetings with Heads of service and Directors on review of their pressures, an update on the MTFP will be provided to SLT for review, discussion and actions to follow.	50%	

Brexit

Short Description	The UK will be leaving the European Union on the 31st October 2019 which will have a financial and operational impact on the delivery of Council's services in the short term and long term.
Overseeing Officer	<ul style="list-style-type: none"> Chief Executive Strategic Director - People Strategic Director - Place
Lead Cabinet Member(s)	<ul style="list-style-type: none"> Leader of the Council
Linked Theme	
Linked Corporate Objective	



16 10
Inherent Risk Score Target Risk Score



Action Name	Risk Cause(s)/Impact(s)	Action Description	% Complete	Jun 2019
<input checked="" type="checkbox"/> Civil Contingencies - Arrangements to escalate and report on Brexit		Civil Contingencies - To provide regular updates to the Council and Brexit Task & Finish Group on Regional and National wide Brexit preparations. Regular updates from the Gwent Local Resilience Forum which includes local authorities, Police, Fire, Health as well as Welsh Government, WLGA and other strategic group updates will be included as part of this process.	80%	★
<input checked="" type="checkbox"/> Finance - Monitoring of impact on Finance and Supplies & Services		Finance - The Council will closely monitor its financial position as part of its annual budget setting process and Medium Term Financial Planning. For Council activities and	70%	★

Action Name	Risk Cause(s)/Impact(s)	Action Description	% Complete	Jun 2019
		services which are EU funded there is ongoing discussions with the Welsh Government to put in arrangements after 2021. The Council will be liaising with its strategic partners (Newport Norse / SRS / Newport Live) to assess the impact on its supplies and services. Also across the Council, service areas are being asked to identify their high risk / key contracts and to obtain the necessary assurances of any Brexit impact which could affect the availability and cost of supplies or services. "		
 Governance - Arrangements to manage Brexit in NCC		Governance - To establish Task & Finish group arrangements in Newport Council to manage the impacts of Brexit including liaison with Welsh Government, WLGA, Statutory partners e.g. Civil Contingencies and our third party providers. Regular updates will be provided to the Senior Leadership Team (SLT) and Cabinet on the Council's Brexit preparations.	80%	★
 Regulatory Services - Compliance with Trading Standards legislation		The Council' Regulatory Services (Trading Standards and Licensing) will receive advice and guidance from the Food Standards Agency Wales and DEFRA and work closely with Association of British Ports (ABP) to manage any impact on the service.	100%	★
 Staffing - Support provided to EU Members of Staff		Staffing - The Council will need to capture information on the number of existing staff members which are from the EU and ensure necessary arrangements are in place for new starters in the Council. Long term, the Council will monitor and liaise with service areas and partners on the impact of Brexit on resources and skill issues /	80%	★

Action Name	Risk Cause(s)/Impact(s)	Action Description	% Complete	Jun 2019
		opportunities as a result of leaving the EU. Guidance and advice will also need to be available to EU staff members on completing any residency applications. "		

City Centre Security & Safety

Short Description	Significant incidents of deliberate acts that pose hazards to people in surrounding areas; structural damage; business continuity; damage/disruption to infrastructure and utilities; and reputational and economic impact.
Overseeing Officer	<ul style="list-style-type: none"> Strategic Director - Place
Lead Cabinet Member(s)	<ul style="list-style-type: none"> Cabinet Member for City Services
Linked Theme	<ul style="list-style-type: none"> Theme : Thriving City
Linked Corporate Objective	<ul style="list-style-type: none"> Well-being Objective 2

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City Centre Security & Safety

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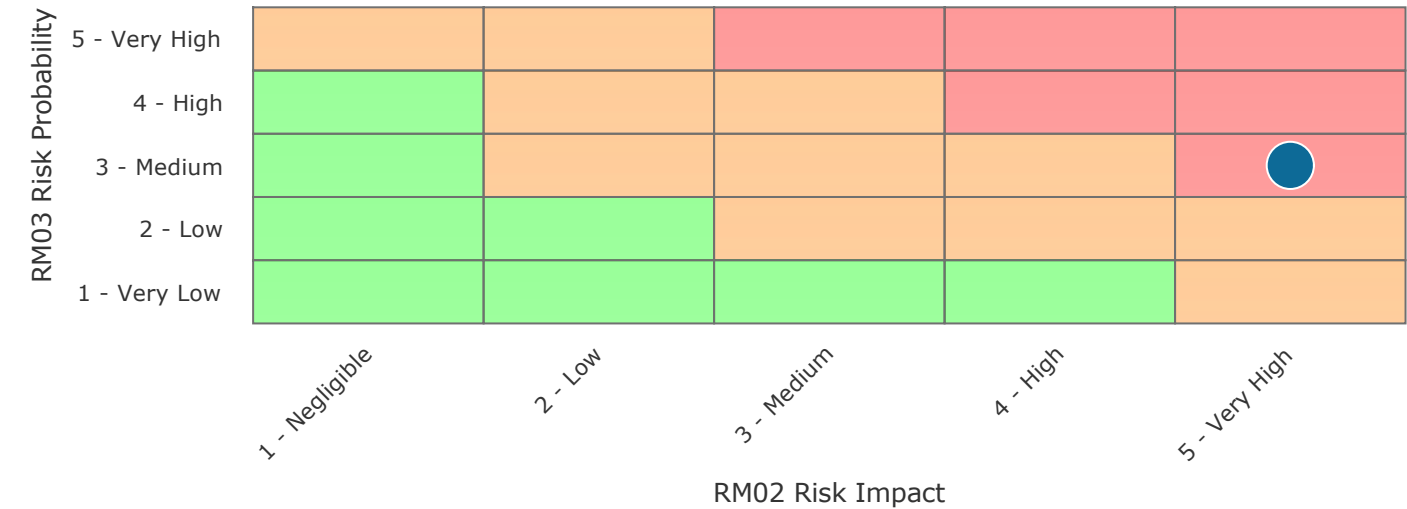
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Inherent Risk Score

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Target Risk Score



Action Name	Risk Cause(s)/Impact(s)	Action Description	% Complete	Jun 2019
 City Centre Training to Businesses		Training for those businesses operating within the city centre that may be affected by significant incidents – Gwent Police will lead on the training with the use of NCC channels to promote and raise initial awareness of the scheme.	0%	
 Co-ordinated evac arrangements		Co-ordinated evacuation arrangements for the city centre – NCC will be working with all partner organisations such as the emergency services and private business within the city centre to construct a co-ordinated evacuation system.	0%	
 Secure Vehicle / Pedestrian Separation		Secure vehicle access and pedestrian separation. – City Services are currently working on a plan to identify what mitigation measures can be put in place around the city centre to protect densely populated areas.	22%	

Climate Change

Short Description	Scientific evidence indicates that the global climate is warming and is changing the environment that we live in Wales and in Newport. The cause of this change is through emissions produced by industry, vehicles, households and businesses. Newport has 11 Air Quality Management Areas which monitor air quality and since they were in place we have been in breach.
Overseeing Officer	<ul style="list-style-type: none"> Head of Regeneration, Investment and Housing Strategic Director - Place
Lead Cabinet Member(s)	<ul style="list-style-type: none"> Deputy Leader and Cabinet Member for Equalities and Assets
Linked Theme	<ul style="list-style-type: none"> Theme : Modernised Council Theme: Resilient Communities (Community) Theme : Thriving City
Linked Corporate Objective	<ul style="list-style-type: none"> Well-being Objective 2 Well-being Objective 3

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Climate Change

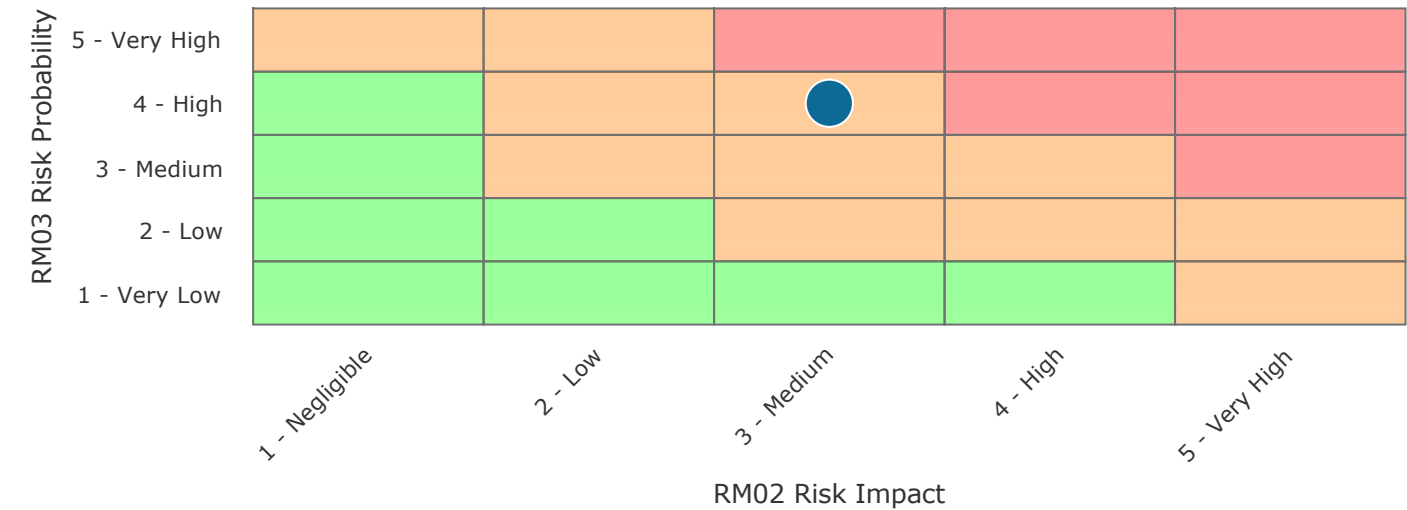
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Inherent Risk Score

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Target Risk Score



Action Name	Risk Cause(s)/Impact(s)	Action Description	% Complete	Jun 2019
 Adopt and Implement Air Quality Action Plans in AQMA's		Adopt and implement Air Quality Action Plans in AQMA's	50%	★
 Develop Local Air Quality Management Statutory Action Plan		Develop Local Air Quality Management Statutory Action Plan to identify Air Quality Management Areas in the City and ensure it is formally adopted and implemented.	75%	★
 Finalise and publish Carbon Management Plan.		Finalise and publish the council's Carbon Management Plan.	75%	★
 Investigate Opportunities to Improve Domestic Energy Efficiency and Relieve Fuel Poverty		Investigate opportunities to improve domestic energy efficiency and relieve fuel poverty in Newport.	20%	★
 Review Public Transport Access for Proposed Housing Developments		Review proposed housing developments for access to public transport.	25%	★

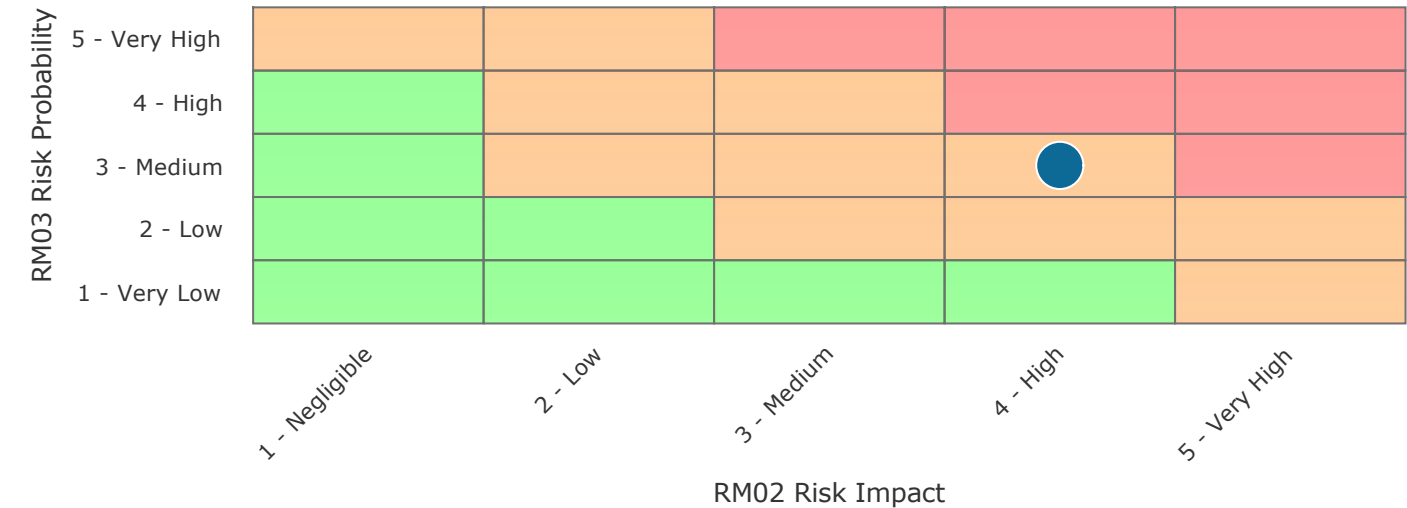
Demand for ALN and SEN support




Short Description	Funding to cover Additional Learning Needs (ALN) and Special Education Needs (SEN) provision across the city is insufficient and does not meet the demand of increasing need.
Overseeing Officer	<ul style="list-style-type: none"> Chief Education Officer Strategic Director - People
Lead Cabinet Member(s)	<ul style="list-style-type: none"> Cabinet Member for Education and Skills Cabinet Member for Education and Young People
Linked Theme	<ul style="list-style-type: none"> Theme : Aspirational People
Linked Corporate Objective	<ul style="list-style-type: none"> Well-being Objective 1 Well-being Objective 3

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Demand for ALN and SEN support

30 JUN 19



Action Name	Risk Cause(s)/Impact(s)	Action Description	% Complete	Jun 2019
 Estyn Rec 5 - Ensure Appropriate Welsh Medium Provision is in Place for ALN Pupils		(Estyn Rec 5) Ensure that Welsh Medium (WM) provision is established to support pupils with Additional Learning Needs Good quality ALN provision will be created to support pupils attending WM schools. The permanent location for the new Welsh-medium primary school will include provision for a Learning Resource Base.	10%	★
 Revise School ALN Review Format in line with the Excellence in Teaching and Leadership...		Revise School ALN Review Format in line with the Excellence in Teaching and Leadership Framework (ETLF)	100%	★
 To further the implementation of the Additional Learning Needs (ALN) and Educational Tribunal...		To further the implementation of the Additional Learning Needs (ALN) and Educational Tribunal Act 2018.	40%	★

Educational Out of County Placements

Short Description	Limited access to Newport City Council (NCC)provision for pupils who require complex and specialist placements which results on a reliance on OOC placements both day and residential.
Overseeing Officer	<ul style="list-style-type: none"> Chief Education Officer Strategic Director - People
Lead Cabinet Member(s)	<ul style="list-style-type: none"> Cabinet Member for Education and Young People
Linked Theme	<ul style="list-style-type: none"> Theme : Aspirational People
Linked Corporate Objective	<ul style="list-style-type: none"> Well-being Objective 1

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Educational Out of County Placements

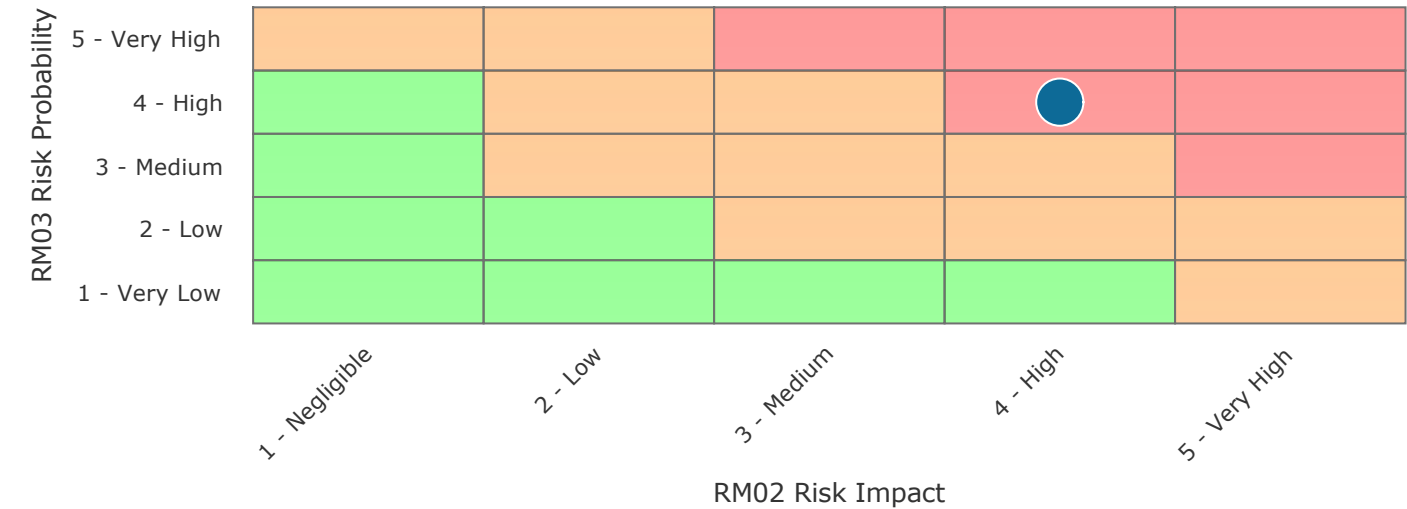
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Inherent Risk Score

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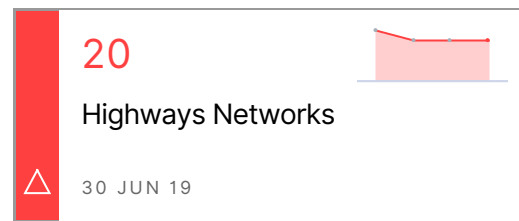
Target Risk Score



Action Name	Risk Cause(s)/Impact(s)	Action Description	% Complete	Jun 2019
 Analysis of SEN trends to inform provision required		Undertake a review of Newport provision for pupils aged 0-25 years to ascertain uptake of placements and future requirements based on data trend analysis and local knowledge	60%	★
 Review ALN KS2 to KS4 SEBD and ASD provision		Review ALN KS2 to KS4 SEBD and ASD provision	75%	★
 To continue to redevelop and extend provision within the city to accommodate a greater range...		To continue to redevelop and extend provision within the city to accommodate a greater range of needs, ensuring that pupils are placed where their learning is best supported.	50%	★
 Work in collaboration with Social Services to review current OOC placements		Pupils will be identified appropriately for moving into local accommodation and will have appropriate educational provision made available.	65%	★

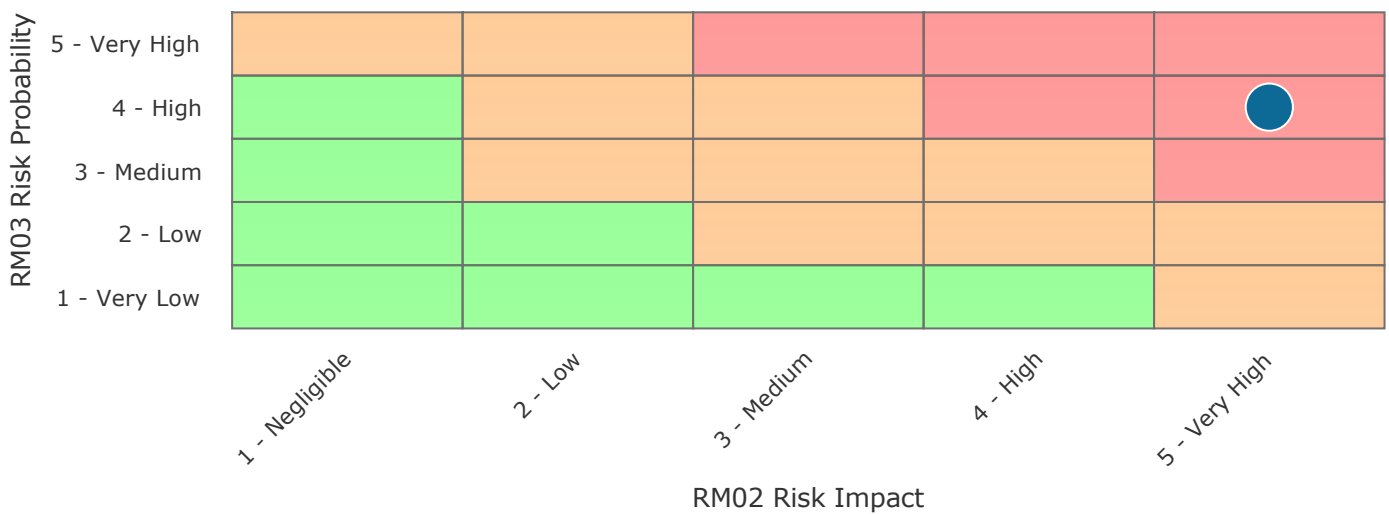
Highways Networks

Short Description	Failure to recognise current levels of under investment in the whole life of the city's highway network assets in the medium to long term will continue to compound existing maintenance backlog figures.
Overseeing Officer	<ul style="list-style-type: none"> Strategic Director - Place
Lead Cabinet Member(s)	<ul style="list-style-type: none"> Cabinet Member for City Services
Linked Theme	<ul style="list-style-type: none"> Theme : Thriving City
Linked Corporate Objective	<ul style="list-style-type: none"> Well-being Objective 2 Well-being Objective 3



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Inherent Risk Score Target Risk Score



Action Name	Risk Cause(s)/Impact(s)	Action Description	% Complete	Jun 2019
<input checked="" type="checkbox"/> Active lobbying to WG, WLGA, and CSS(W) to recognise funding gap to address backlog		We have identified that there is a maintenance backlog of approximately £90m for Newport. But the level of funding to maintain these assets is not sufficient to meet this. The underinvestment is not unique to Newport and other authorities in Wales are facing the same issues. Therefore, we (alongside other local authorities) are lobbying the Welsh Government, Welsh Local Government Association and CSS(W) to increase and/or make more capital funding available to decrease this gap. This action will be ongoing and	0%	<input type="radio"/>

Action Name	Risk Cause(s)/Impact(s)	Action Description	% Complete	Jun 2019
		will not result in direct action completion.		
 Develop and implement the Council's Highways Asset Management Strategy / Plan		The Council is developing the Highways Asset Management Strategy and Highways Asset Management Plan. This plan will be implemented in 2019/20 and will enable the Council to actively manage its highways infrastructure. Implementation of the plan will enable the Council to undertake: risk based assessment and management of its infrastructure; calculating future funding requirements to maintain agreed levels of service; risk based evidence to identify and deliver improvements to assets identified below required standards.	0%	★
 Reactive Highways inspection and repair service.		The Council's Highways inspectors undertake daily checks of the Council's highways assets to determine their condition. The Council also operates a system for members of the public to report assets e.g. potholes, road signs, grass verges etc on the public highway that consider in poor condition. Risk based inspections are completed and regime of reactive work is undertaken to mitigate the risk of third party claims, and maintenance of the highway under Section 41 of the Highways Act.	0%	★

In Year Financial Management

Short Description	This relates to the in year management of budgets and risk profiling of service areas / activities that are forecasting end of year overspends.
Overseeing Officer	<ul style="list-style-type: none"> Chief Executive Head of Finance Strategic Director - People Strategic Director - Place
Lead Cabinet Member(s)	<ul style="list-style-type: none"> Leader of the Council
Linked Theme	
Linked Corporate Objective	

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In Year Financial Management

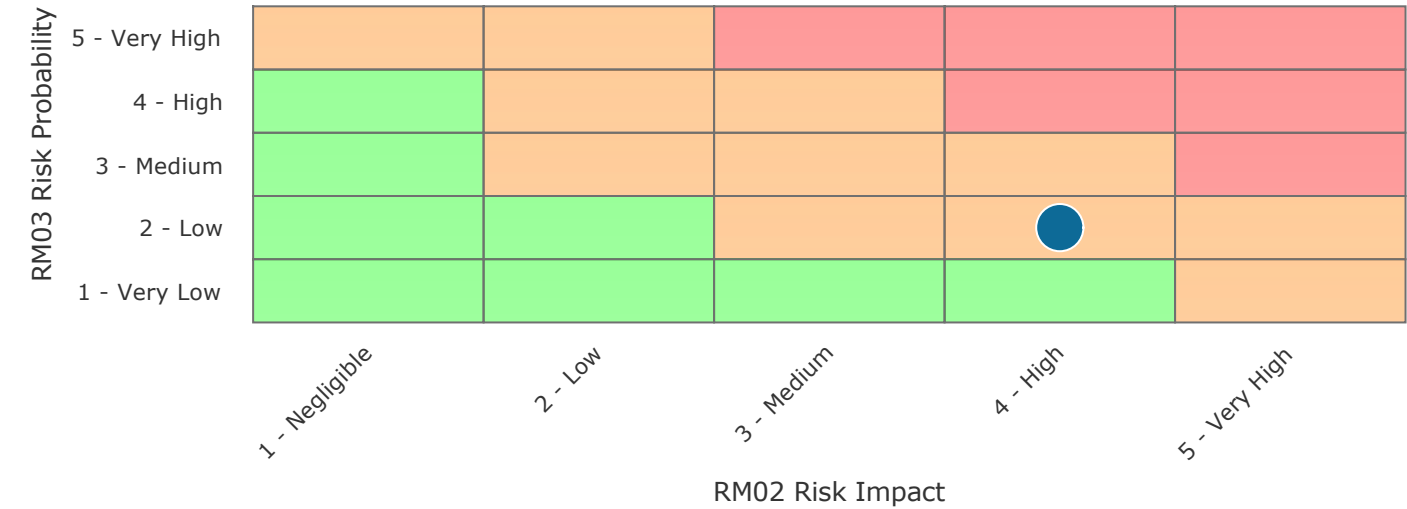
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Inherent Risk Score

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Target Risk Score



Action Name	Risk Cause(s)/Impact(s)	Action Description	% Complete	Jun 2019
 All service areas to maintain robust financial management		All service areas to maintain robust financial management and understand the risks associated delivery of savings and achievability of the savings.	25%	
 Cabinet Member and Senior Officers to manage / mitigate any projects not achieving savings		There are currently a number of undelivered savings of as at Quarter 1 figures circa £209k in 2019/20 and £91k from 2018/19. Cabinet Member, Senior Officers, Corporate Management Team and Heads of Service to manage and mitigate the risks of not delivering these savings.	0%	
 Cabinet Member and Senior Officers to reduce overspending in Social Care		There are significant overspends within Children and Adult Services for Quarter 1 circa £3million. Cabinet Member, Senior Officers are required to review their actions to reduce this overspend and mitigate against further risks.	25%	

Newport Council's Property Estate

Short Description	NCC has a significant property estate covering over 170 buildings (circa) such as the Civic Centre, Telford Depot, schools etc. The Council has to ensure the estate is maintained to required standards to enable access, safety, security and in the long term sustainable for staff and residents to use.
Overseeing Officer	<ul style="list-style-type: none"> Chief Executive Head of People & Business Change Head of Regeneration, Investment and Housing Strategic Director - Place
Lead Cabinet Member(s)	<ul style="list-style-type: none"> The Deputy Leader and Cabinet Member for Assets and Member Development
Linked Theme	<ul style="list-style-type: none"> Theme : Modernised Council
Linked Corporate Objective	

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Newport Council's Property Estate

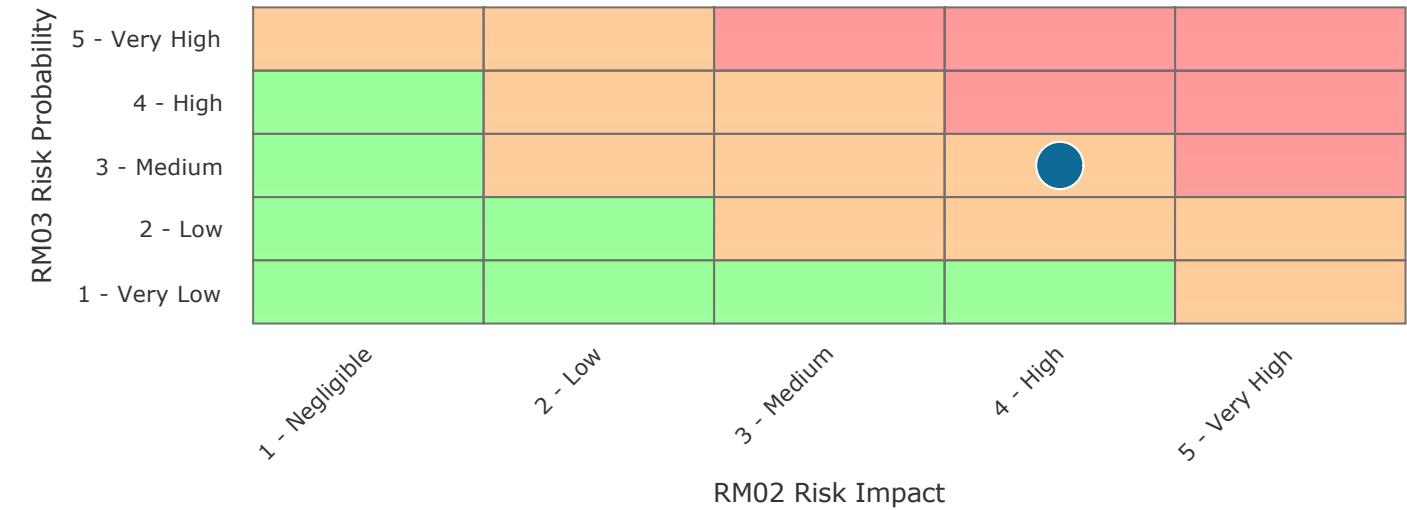
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Inherent Risk Score

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Target Risk Score



Action Name	Risk Cause(s)/Impact(s)	Action Description	% Complete	Jun 2019
 Delivery of the Annual Capital Maintenance Programme		The delivery of the Council's annual Capital maintenance programme to maintain and improve the Council's property estate.	60%	
 Develop a balanced strategy for the future of the Civic Centre		In response to financial, environmental, legal sustainability and social pressures we need to develop a balanced strategy for the future preservation and transformation of the Civic Centre.	15%	

Safeguarding Risk

Short Description	To ensure the Council safeguards adults, children and carers as part of its statutory duty.
Overseeing Officer	<ul style="list-style-type: none"> Chief Executive Strategic Director - People Strategic Director - Place
Lead Cabinet Member(s)	<ul style="list-style-type: none"> Cabinet Member for Social Services
Linked Theme	<ul style="list-style-type: none"> Theme: Resilient Communities (Social Care)
Linked Corporate Objective	<ul style="list-style-type: none"> Well-being Objective 3

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Safeguarding Risk

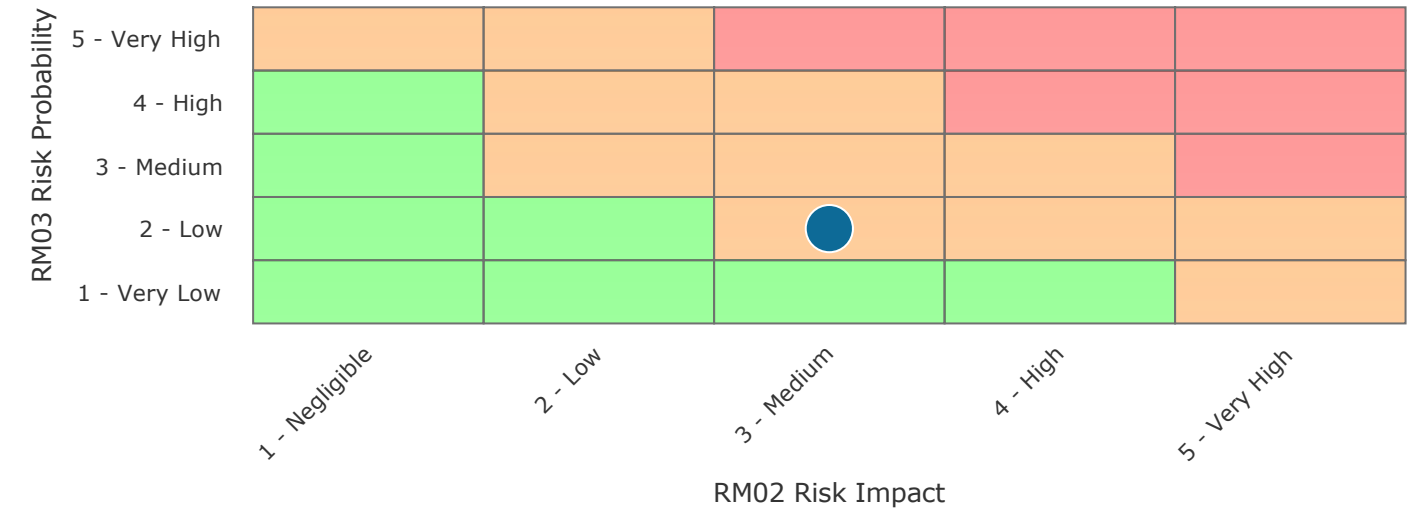
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Inherent Risk Score

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Target Risk Score



Action Name	Risk Cause(s)/Impact(s)	Action Description	% Complete	Jun 2019
 All education Services staff to have completed relevant safeguarding training		All staff are appropriately trained to facilitate safeguarding arrangements.	76%	★
 Contribute towards the All Wales Adult Safeguarding Guidance		To contribute towards the new All Wales Adult / children Safeguarding Guidance.	25%	★
 Development of Safeguarding Champions across the Council.		Establish Safeguarding Complete Champions within each service area and roll out a training schedule for Members and Council employees	70%	★
 Embed the implementation of the new national 'safeguarding toolkit' for schools.		All schools have effective safeguarding processes in place	50%	★
 Empower Citizens Through the Adult Safeguarding Process		To continue to support and empower citizens through the adult safeguarding process.	40%	★
 Establish a robust review process for DOLS		To establish a robust review process for Deprivation of Liberty Safeguards (DOLS) assessments for Newport Citizens.	0%	?
 Evaluate & Refine the Model of Adult Protection		Continue to evaluate and refine the model of adult protection to include consideration to manage the increasing demands of the service and improve practitioner knowledge under the new legislation (Part 7 Social Services & Well Being Act). Evaluation review of the 6 month Safeguarding Hub. The pilot will be compiling data to evidence if the HUB model has improved processes and increased efficiency.	55%	●
 Improve links to information and advocacy to citizens		To improve links to information and advocacy to ensure citizens are fully informed and supported throughout the safeguarding process.	40%	●

Schools Finance / Cost Pressures

Short Description	In year cost pressures of schools are not met resulting in increased deficit budgets
Overseeing Officer	<ul style="list-style-type: none"> Strategic Director - People
Lead Cabinet Member(s)	<ul style="list-style-type: none"> Cabinet Member for Education and Skills Cabinet Member for Education and Young People
Linked Theme	<ul style="list-style-type: none"> Theme : Aspirational People
Linked Corporate Objective	<ul style="list-style-type: none"> Well-being Objective 1

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Schools Finance / Cost Pressures

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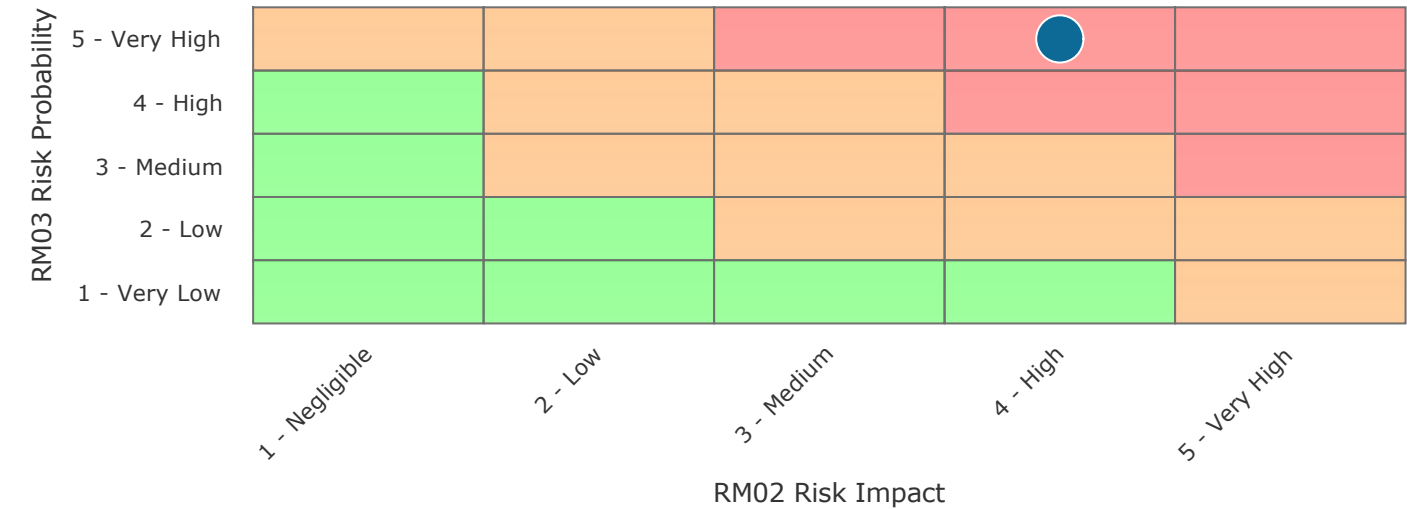
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Inherent Risk Score

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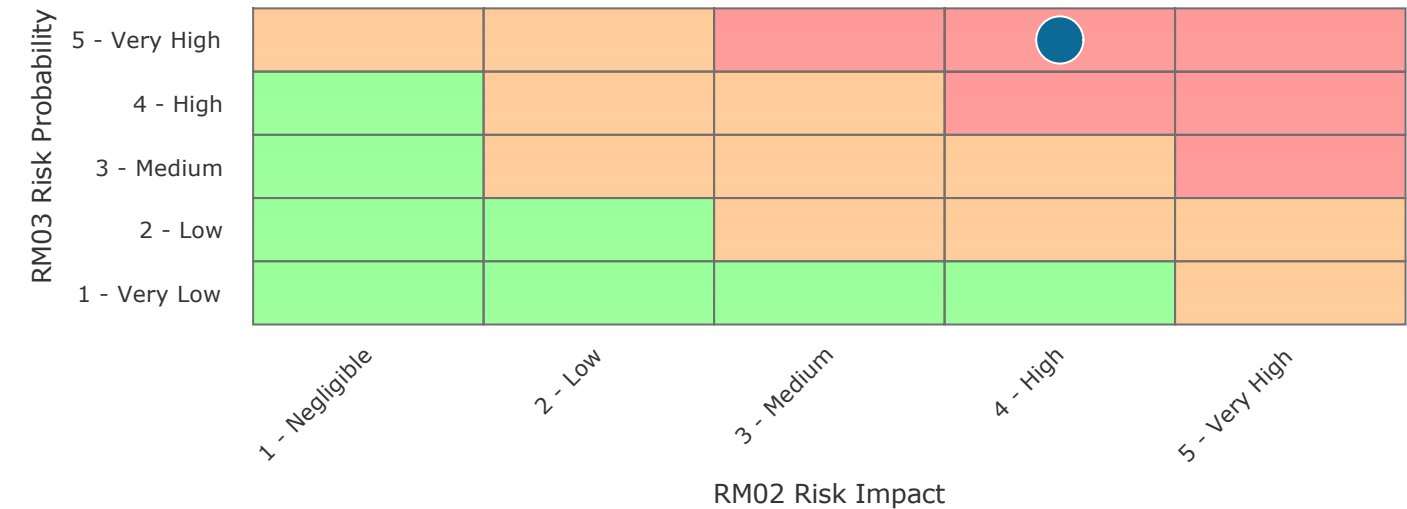
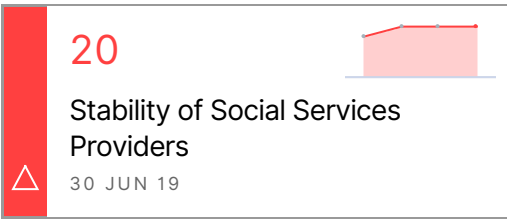
Target Risk Score




Action Name	Risk Cause(s)/Impact(s)	Action Description	% Complete	Jun 2019
 Managing School Budget		The local authority will monitor school budgets to ensure that Headteachers and Governing Bodies are: a) Maintaining a balanced budget; b) Addressing in year overspends to reduce the risk of moving in to deficit positions; c) Where deficit budgets occur, deficits are licensed with full recovery plans. d) Where in year deficits are still arising following substantial review, further mitigation may be through the medium term financial plan.	5%	
 Supporting / challenging schools to address overspending & deficit budgets		Develop and work through a new schools budget monitoring process to consider how secondary schools need to be supported / challenged to address in year overspending and deficit budgets.	45%	

Stability of Social Services Providers

Short Description	The Council requires support from external providers to deliver care packages for children and adults (residential / Non Residential). The current marketplace for external providers is volatile due to the increasing costs to provide care, maintain homes, staffing meeting legislative and regulatory requirements.
Overseeing Officer	<ul style="list-style-type: none"> Head of Adult and Community Services Strategic Director - People
Lead Cabinet Member(s)	<ul style="list-style-type: none"> Cabinet Member for Social Services
Linked Theme	<ul style="list-style-type: none"> Theme: Resilient Communities (Social Care)
Linked Corporate Objective	<ul style="list-style-type: none"> Well-being Objective 3



Action Name	Risk Cause(s)/Impact(s)	Action Description	% Complete	Jun 2019
 BAU - Compliance monitoring and review of Commissioned Services		BAU - To ensure commissioned services are subject to ongoing contract management processes that monitor compliance and review quality and cost.	0%	★
 BAU - Continue to provide and develop in house provision		BAU - To continue to provide and develop in house provision where appropriate and cost effective.	0%	★
 BAU - Develop Regional and Collaborative Commissioning Initiative		BAU - To develop Regional and collaborative commissioning initiatives to deliver consistency and efficiencies.	34%	★
 BAU - Development of the People Commissioning function		BAU - To further develop the People Commissioning function to oversee all commissioning and contractual activity within the Directorate.	40%	★
 BAU - Management of the local market of Social Care contracts		BAU - To manage the local market to ensure sufficient capacity, diversity and skill through provider engagement and consultation around strategic priorities, service principles and fee setting.	34%	★
 BAU - Undertake Evidence Based Commissioning		BAU - To undertake evidence based commissioning through robust needs analysis and adherence to commissioning strategies to ensure services reflect community needs and offer sufficient market capacity.	26%	★
 BAU - Work with partners to develop common contracts and monitoring protocols		BAU - Work with ABUHB and Local Authority partners to develop common contracts and monitoring protocols.	73%	★
 Develop a Gwent Care Academy		Develop a Gwent Care Academy to offer qualifications for care staff and embed the principles of RISCA where all care staff are required to register.	0%	★

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Report

Audit Committee

Part 1

Date: October 2019

Item no: 7

Subject **Call in of Head of Service following Unfavourable Internal Audit Opinions.**

Purpose To allow Members of the Audit Committee to discuss, with the Chief Education Officer their concerns raised in the Internal Audit review of:

- School Trips & Visits (Evolve System)

and to gain assurances that action will be taken to improve the internal controls in operation and agree how to follow up implementation of actions

Author Chief Internal Auditor

Ward General

Summary Following the presentation of the Internal Audit's six monthly update on unfavourable audit opinions in June 2019, Members of the Audit Committee agreed to escalate their concerns to the Chief Education Officer and call them in to provide reasons why the controls were poor and provide assurances that action will be taken to make the necessary improvements. This was in relation to a consecutive unfavourable audit opinion in relation to:

- School Trips & Visits (Evolve System)

Proposal

- 1) To review and assess proposed actions and come to a view if they are robust and deliverable and will address the issues identified satisfactorily within reasonable timescales.
- 2) To ensure the Chief Education Officer takes responsibility for implementing the proposed actions.
- 3) Agree that Internal Audit will carry out further follow up work in this area by the end of 2019/20 and report the resulting outcome back to Audit Committee.
- 4) The Audit Committee is asked to note the assurances given by the Chief Education Officer that improvements will be made to the service provided by the implementation of the agreed management actions so that the further Internal Audit follow up review will result in a more positive audit opinion.

Action by	Audit Committee
Timetable	Immediate

Background.

1. An internal audit review is undertaken to provide assurances (or otherwise) that appropriate internal controls, governance arrangements and risk management processes are in place to safeguard the Council's assets, to ensure the proper use of public money and that it has been used effectively, efficiently and economically, that fraud, error and misappropriation has been minimised and overall risks have been reduced.
2. Following the presentation of Internal Audit's six monthly update on unfavourable audit opinions in June 2019, Members of the Audit Committee were concerned that issues identified in the original report of School Trips and Visits (Evolve system) were not fully addressed by the time the auditors undertook a follow up audit review of the same system.
3. The timeline for the Internal Audit reviews was as follows:

	<u>Date of Fieldwork</u>	<u>Draft Report Issue Date</u>	<u>Final Report Issue Date</u>	<u>Audit Opinion</u>
Original Report	October 2018 – February 2018	March 2018	March 2018	Unsatisfactory
Follow up Report	March 2019	March 2019	May 2019	Unsatisfactory

4. The issues identified during the course of the audits highlighted a continued lack of internal control and exposed the Council to an unacceptable level of risk. The table below detail the significant outstanding weaknesses identified during the review; the agreed comments / actions provided by the Senior Operational Managers are shown at Appendix B.
5. A further follow up audit will be undertaken during 2019/20 with the subsequent audit opinion being reported back to Audit Committee in due course.
6. The following table shows how many original weaknesses were addressed by the implementation of the agreed management actions:

Original Weakness Rating	No. of Original Weaknesses	No. of Weaknesses Partially Addressed	No. of Weaknesses Fully Addressed	No. of Outstanding Weaknesses
Significant	7	4	0	6
Moderate	6	Not tested	Not tested	1*

** - There was 1 significant weakness which has been reclassified as moderate because of the actions taken by Management in addressing the weakness.

7. The weaknesses still outstanding (not addressed) at the time the audit follow up review was undertaken were as follows:

	No critical weaknesses were identified during this audit.
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Ref.	SIGNIFICANT
1.05	The agreement in place with the third party Outdoor Education Adviser had not been reviewed and no formal agreement had been implemented. The current version of the agreement was also non-compliant with GDPR requirements.
1.07	Educational Visits Coordinator (EVC) training had not been received or renewed in the past 3 years for the majority of the schools in line with the Outdoor Education Advisory Panel's National Guidance.
1.08	Despite the annual review exercise carried out by Central Education, a number of inappropriate accounts remained present on the EVOLVE system.
1.09	The current engagement with the Outdoor Educational Adviser remains non-compliant with off-payroll, working through an intermediary, (IR35) regulations.
2.10	Trips and Visits categorised as adventurous, residential and overseas were not always submitted by the School's Education Visits Coordinator / Headteacher 28 days prior to the visit taking place, in accordance with the instruction issued by the Chief Education Officer.
2.11	Trips had taken place without required Local Authority approval, these were not reported to the Education Senior Management Team.

Ref.	MODERATE
1.06	The process of demonstrating compliance with Contract Standing Orders in relation to the engagement of the Outdoor Educational Adviser was incomplete. The Excepted Contracts form required signing by the Chief Education Officer at the time of the review.

8. The timeline for the Internal Audit reviews was as follows:

	<u>Date of Fieldwork</u>	<u>Draft Report Issue Date</u>	<u>Final Report Issue Date</u>	<u>Audit Opinion</u>
Original Report	October 2018 – February 2018	March 2018	March 2018	Unsatisfactory
Follow up Report	March 2019	March 2019	May 2019	Unsatisfactory

9. A further follow up audit will be undertaken during 2019/20 with the subsequent audit opinion being reported back to Audit Committee in due course.

10. One of the key objectives of an audit report is to outline compliance against expected controls within a system, an establishment or the duration of a project or contract. Generally, the audit report should give management assurance that there are adequate controls in place to enable the system to run effectively, efficiently and economically. If adequate controls are not in place then there is greater exposure to the risk of fraud, theft, corruption or even waste.
11. NCC Internal Audit reports outline strengths of the system under review along with any weaknesses in internal control. The reports are discussed with operational management where the issues identified are agreed. The operational manager will then add his / her action plans to the report which will address the agreed issue and mitigate any further risk.
12. Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and have agreed to do this by incorporating their comments within the audit reports and taking on board the agreed management actions.
13. Internal Audit are continuing to raise the awareness of financial regulations and contract standing orders within the Council by delivering seminars to all service areas; during recent years this training has been further targeted towards areas that have had unsatisfactory audit opinions.
14. Where managers are compliant with Council policies and procedures and sound financial management can be demonstrated then audit reviews should result in an improved audit opinion being given. If, as a result, improvements are made to internal controls then greater assurance can be given by Internal Audit to the Audit Committee, the Leader and the Chief Executive on the overall effectiveness of all the Council's internal controls.
15. Giving management assurance on systems in operation gives them confidence that there is sound financial management in place, that more effective services can be provided and the risk of theft, fraud and corruption is minimised. Better service provision, looking after the public pound makes our City a better place to live for all our citizens

Financial Summary

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

Risks

17. If the issues identified in the audit reports are not addressed then weaknesses in the control environment will continue which could expose the Council to a potential risk of non-compliance, fraud, error or misappropriation.

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?
Issues not addressed by implementation of agreed management actions	M	M	Management have agreed what they should do to address the identified weakness; this needs to be implemented.	Heads of Service

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

18. Giving management assurance on systems in operation gives them confidence that there is sound financial management in place, that more effective services can be provided and the risk of theft, fraud and corruption is minimised. Better service provision, looking after the public pound makes our City a better place to live for all our citizens, hence Improving People's Lives.

Options Available

19. This is a factual progress report and therefore there are no specific options to be considered. Internal Audit team assess the adequacy of the Council's internal control environment to ensure the public pound is spent wisely and appropriately and that fraud, theft and corruption is minimised.
20. The Audit Committee is asked to note the assurances given by the Chief Education Officer that improvements will be made to the service provided by the implementation of the agreed management actions so that the further Internal Audit follow up review will result in a more positive audit opinion.

Comments of Chief Financial Officer

21. This report is compiled on behalf of the Head of Finance. It is important that the Audit Committee review proposed actions thoroughly and come to a conclusion on whether improvements will be realised, within a reasonable timescale. It will be essential that Internal Audit carry out the follow up audit sometime in 2019/20 in this area and ensure controls have improved to satisfactory levels and this will provide the Committee's future assurance in this area.

Comments of Monitoring Officer / Head of Law & Regulation

22. The Report has been prepared in accordance with the Council's internal audit procedures and Performance Management framework. It will be important to review the adequacy of the proposed management actions to address the identified risks within acceptable timescales. In particular, critical risk areas will need to be addressed as a matter of priority.

Comments of Head of People and Business Change

23. The report highlights areas for concern within the Education Service.. The Committee is being asked to consider whether the actions outlined and progress to date are satisfactory. Internal

Audit provides a critical function within the Council to provide assurance on financial systems and monitoring and to highlight weaknesses so that issues can be identified and addressed.

The Chief Internal Auditor has considered the sustainable development principle as required by the Wellbeing of Future Generations Act (2015).

Comments of Cabinet Member

24. Not applicable

Local issues

25. N/A

Scrutiny Committees

26. N/A

Equalities Impact Assessment and the Equalities Act 2010

27. The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
28. As this is not a decision making report there is no need for an Equalities Impact Assessment. All audits are undertaken in a non-discriminatory manner.

Children and Families (Wales) Measure

29. N/A

Wellbeing of Future Generations (Wales) Act 2015

30. In compiling this report the principles of this Act have been considered:

- Long term: The Internal Audit workload is based on an annual operational plan supported by a 5 year strategic plan
- Prevention: Internal Audit identify strengths and weaknesses within the control environment of Newport City Council; addressing the weaknesses gives management the opportunity of preventing gaps in service

- provision getting worse. This should also minimise the potential for fraud, theft, loss or error.
- Integration: Internal Audit opinions provide an objective opinion on the adequacy of the internal control environment in operation and support sound stewardship of public money.
 - Collaboration: Internal Audit work with operational managers to develop an appropriate action plan in order to address identified concerns.
 - Involvement: Heads of Service and Senior Managers are invited to contribute to the audit planning process each year in order to prioritise audit resources.

Crime and Disorder Act 1998

31. The work undertaken by Internal Audit should minimise potential fraud, corruption, theft or misappropriation within the Council. Allegations of potential criminal activity will be investigated and reported to the police where appropriate.

Consultation

32. N/A

Background Papers

33. N/A


Dated:

INTERNAL AUDIT SERVICES – RISK RATINGS / AUDIT OPINIONS

- The following ratings have been applied to the individual weaknesses identified during the follow up audit

RATING	DESCRIPTION
CRITICAL	Major risk to the system.
SIGNIFICANT	Unacceptable risk.
MODERATE	Risk partially mitigated but should still be addressed.

- The Audit Opinion has been colour coded based on a traffic light system and the report only contains key issues which need to be addressed.

	GOOD	Well controlled with no critical risks identified which require addressing; substantial level of assurance.	Green
	REASONABLE	Adequately controlled although risks identified which may compromise the overall control environment; improvements required; reasonable level of assurance.	Yellow
	UNSATISFACTORY	Not well controlled; unacceptable level of risk; changes required urgently; poor level of assurance.	Amber
	UNSOUND	Poorly controlled; major risks exists; fundamental improvements required with immediate effect.	Red

Agreed Action Plan

Control Objective 1: Arrangements are in place for adequate monitoring of school trips & visits and the Evolve system by NCC staff. An adequate contract is in place with the third party school trip adviser and appropriate training is provided to both central and school based staff.					
Original Report Ref.	Original Weakness & Agreed Management Action	Status, Findings & Outstanding Weakness	Further Management Action to Address Outstanding Weakness	By Who	By When
1.05	<p>Original Weakness: A formal contract agreement was not in place with the third party Outdoor Education Adviser. The letter of engagement did not include an end date or a review schedule. Some of the tasks detailed in the letter of engagement were not being performed and some key areas regarding information security requirements were not included.</p> <p><i>(Significant)</i></p> <p>Agreed Management Action: We have met with the Employment Services Manager regarding the employment status of the Outdoor Education Adviser. Discussions are ongoing on this subject, including with colleagues in a neighbouring LA, and this weakness will be fully addressed once this issue has been resolved.</p> <p>With regard to information</p>	<p><u>Not Implemented</u></p> <p>Outstanding Weakness: The agreement in place with the third party Outdoor Education Adviser had not been reviewed and no formal agreement had been implemented. The current version of the agreement was also non-compliant with GDPR requirements.</p> <p><i>(Significant)</i></p>	Options for future service delivery are currently being considered, a formal agreement will be established once a decision has been made. The agreement will be drawn up in consultation with HR, Corporate Procurement, Information Management and colleagues in Legal. The agreement shall include relevant terms and conditions of the engagement and will comply with GDPR.	Service Manager, Resources & Planning (DW)	September 2019

Control Objective 1: Arrangements are in place for adequate monitoring of school trips & visits and the Evolve system by NCC staff. An adequate contract is in place with the third party school trip adviser and appropriate training is provided to both central and school based staff.					
Original Report Ref.	Original Weakness & Agreed Management Action	Status, Findings & Outstanding Weakness	Further Management Action to Address Outstanding Weakness	By Who	By When
	<p>security, we are pursuing the use of Egress for transferring data.</p> <p>Implementation Date: September 2018</p>				
1.06	<p>Original Weakness: The engagement process of appointing the third party adviser was not in line with Contract Standing Orders. There is no evidence to prove that the Local Authority is receiving the most appropriate service or obtaining value for money.</p> <p>(Significant)</p> <p>Agreed Management Action: The decision to engage the Outdoor Education Adviser was taken following discussions with a neighbouring LA who was already procuring the service in this way.</p> <p>The Employment Services Manager has confirmed that it would be difficult to change the arrangements at this stage; however we are mindful of the procedures that should be followed at the appropriate time.</p>	<p><u>Partially Implemented</u></p> <p>Outstanding Weakness: The process of demonstrating compliance with Contract Standing Orders in relation to the engagement of the Outdoor Educational Adviser was incomplete. The Excepted Contracts form required signing by the Chief Education Officer at the time of the review.</p> <p>(Moderate)</p>	<p>Excepted Contract Form was signed by the Chief Education Officer and submitted to Procurement on the 28th March 2019.</p> <p>Procurement arrangements with the service provider to be reviewed and revised as per W1.05 above.</p>	<p>Service Manager, Resources & Planning (DW)</p> <p>Service Manager, Resources & Planning (DW)</p>	<p>Implemented</p> <p>September 2019</p>

Control Objective 1: Arrangements are in place for adequate monitoring of school trips & visits and the Evolve system by NCC staff. An adequate contract is in place with the third party school trip adviser and appropriate training is provided to both central and school based staff.

Original Report Ref.	Original Weakness & Agreed Management Action	Status, Findings & Outstanding Weakness	Further Management Action to Address Outstanding Weakness	By Who	By When
	Implementation Date: September 2018				
1.07	<p>Original Weakness: At the time of the review, a number of schools had not received Educational Visit Co-ordinator (EVC) training in the last three years. No central records were maintained to highlight schools requiring training.</p> <p><i>(Significant)</i></p> <p>Agreed Management Action: This has now been addressed and a central record of training has been introduced and will be maintained.</p> <p>Implementation Date: March 2018 / On-going</p>	<p><u>Partially Implemented</u></p> <p>Outstanding Weakness: Educational Visits Coordinator (EVC) training had not been received or renewed in the past 3 years for the majority of the schools in line with the Outdoor Education Advisory Panel's National Guidance.</p> <p><i>(Significant)</i></p>	<p>The Education Policy Officer has now implemented and will be maintaining a central record of training received.</p> <p>The provision of training to all Schools and the associated record keeping to be included in the agreement with the service provider going forward from Sep 2019.</p>	<p>Education Policy Officer (NLT)</p> <p>Service Manager, Resources & Planning (DW)</p>	<p>Implemented / Ongoing</p> <p>September 2019</p>
1.08	<p>Original Weakness: An overview of the Evolve System's users identified that former employees of the Local Authority still had active accounts on the system. Users of the system were also able to amend</p>	<p><u>Partially Implemented</u></p> <p>Outstanding Weakness: Despite the annual review exercise carried out by Central Education, a number of</p>	<p>An annual review of the system had taken place. This will be supported with a termly reminder to Schools to notify / remove leavers from the system.</p>	<p>Education Business Manager (CG)</p> <p>Education Policy Officer</p>	<p>June 2019 / Termly</p>

Control Objective 1: Arrangements are in place for adequate monitoring of school trips & visits and the Evolve system by NCC staff. An adequate contract is in place with the third party school trip adviser and appropriate training is provided to both central and school based staff.

Original Report Ref.	Original Weakness & Agreed Management Action	Status, Findings & Outstanding Weakness	Further Management Action to Address Outstanding Weakness	By Who	By When
	<p>their personal details without an audit trail in place to identify the changes made.</p> <p><i>(Significant)</i></p> <p>Agreed Management Action: This has now been addressed and will now be monitored on a termly basis. Schools will be reminded of the need to advise the LA of any changes as and when they occur.</p> <p>Implementation Date: March 2018 / Termly monitoring</p>	<p>inappropriate accounts remained present on the EVOLVE system.</p> <p><i>(Significant)</i></p>		(NLT)	
1.09	<p>Original Weakness: The current engagement with the Outdoor Educational Adviser is not complying with off-payroll, working through an intermediary, (IR35) regulations.</p> <p><i>(Significant)</i></p> <p>Agreed Management Action: We have met with the Employment Services Manager regarding the employment status of the Outdoor Education Adviser.</p>	<p><u>Not Implemented</u></p> <p>Outstanding Weakness: The current engagement with the Outdoor Educational Adviser remains non-compliant with off-payroll, working through an intermediary, (IR35) regulations.</p> <p><i>(Significant)</i></p>	Currently, options for future service delivery are being considered. We will ensure that where relevant IR35 regulations will be complied with.	Service Manager, Resources & Planning (DW)	September 2019

Control Objective 1: Arrangements are in place for adequate monitoring of school trips & visits and the Evolve system by NCC staff. An adequate contract is in place with the third party school trip adviser and appropriate training is provided to both central and school based staff.

Original Report Ref.	Original Weakness & Agreed Management Action	Status, Findings & Outstanding Weakness	Further Management Action to Address Outstanding Weakness	By Who	By When
	Discussions are ongoing on this subject, including with colleagues in a neighbouring LA. Implementation Date: September 2018				

Control Objective 2: Trips and visits undertaken by schools are promptly and correctly recorded onto the Evolve system with the required supporting documentation submitted. All trips undertaken have the appropriate approval prior to the activity taking place.

Original Report Ref.	Original Weakness & Agreed Management Action	Status, Findings & Outstanding Weakness	Further Management Action to Address Outstanding Weakness	By Who	By When
2.10	<p>Original Weakness: For the sample reviewed, not all trips and visits were submitted by the School's Educational Visits Coordinator (EVC) on the Evolve system at least 28 days prior to the event in line with the Education Visits Policy 2016/17.</p> <p><i>(Significant)</i></p> <p>Agreed Management Action: Schools will be reminded of their responsibilities within the agreed Trips and Visits policy.</p> <p>Implementation Date: March 2018</p>	<p>Partially Implemented</p> <p>Outstanding Weakness: Trips and visits categorised as adventurous, residential and overseas were not always submitted by the School's Education Visits Coordinator / Headteacher 28 days prior to the visit taking place, in accordance with the instruction issued by the Chief Education Officer.</p> <p><i>(Significant)</i></p>	<p>The Educational Visits Policy 2018/19 was sent to the Education Achievement Service (EAS) on the 15th March 2019 to be included on all Schools Full Governing Body Agenda during the summer term.</p> <p>The provision of training and monitoring compliance with the policy will be outlined in the revised agreement once options for future service delivery have been considered and agreed.</p>	<p>Service Manager, Resources & Planning (DW)</p> <p>Service Manager, Resources & Planning (DW)</p>	<p>Implemented</p> <p>September 2019 / on-going</p>

Control Objective 2: Trips and visits undertaken by schools are promptly and correctly recorded onto the Evolve system with the required supporting documentation submitted. All trips undertaken have the appropriate approval prior to the activity taking place.

Original Report Ref.	Original Weakness & Agreed Management Action	Status, Findings & Outstanding Weakness	Further Management Action to Address Outstanding Weakness	By Who	By When
2.11	<p>Original Weakness: The Local Authority has insufficient resource and knowledge to confirm that all school trips and visits have been recorded on the Evolve system. Reliance is solely placed on a third party to highlight any issues or anomalies on the system.</p> <p><i>(Significant)</i></p> <p>Agreed Management Action: Headteachers are required to act in accordance with the agreed policy to ensure all trips are recorded onto the Evolve system. Arrangements will be made for the 2018-20 policy to be added to the agenda for all governing bodies to consider and agree adoption. At the time of engagement, the Local Authority did not have sufficiently skilled resources to enable the overseeing function to be carried out internally, and therefore after consulting with colleagues in neighbouring authorities, an external consultant</p>	<p><u>Partially Implemented</u></p> <p>Outstanding Weakness: Trips had taken place without required Local Authority approval, these were not reported to the Education Senior Management Team.</p> <p><i>(Significant)</i></p>	<p>Ensure that management report expectations are set out in any future service provision agreement.</p> <p>Revise the Education Policy Officer's job description to include administration and monitoring of the Evolve system.</p> <p>Explore what reports are available from the Evolve system to give the Authority more oversight of the trips and visits taking place, including those not approved by the Outdoor Education Advisor.</p>	Service Manager, Resources & Planning (DW)	September 2019 / on-going

Control Objective 2: Trips and visits undertaken by schools are promptly and correctly recorded onto the Evolve system with the required supporting documentation submitted. All trips undertaken have the appropriate approval prior to the activity taking place.

Original Report Ref.	Original Weakness & Agreed Management Action	Status, Findings & Outstanding Weakness	Further Management Action to Address Outstanding Weakness	By Who	By When
	<p>was procured. This remains the case, and therefore if this arrangement was to cease, an alternative external provider would be sought.</p> <p>Implementation Date: July 2018</p>				

Report

Audit Committee

Part 1

Date: October 2019

Item No: 8

Subject **Call in of Headteacher & Chair of Governors of Caerleon Comprehensive School following Unfavourable Internal Audit Opinion.**

Purpose To allow Members of the Audit Committee to discuss, with the Headteacher and Chair of Governors their concerns raised in the Internal Audit review of:

- Caerleon Comprehensive School

and to gain assurances that action will be taken to improve the internal controls in operation and agree how to follow up implementation of actions

Author Chief Internal Auditor

Ward General

Summary Following the presentation of the Internal Audit's six monthly update on unfavourable audit opinions in June 2019, Members of the Audit Committee agreed to escalate their concerns and call the Headteacher and Chair of Governors of Caerleon Comprehensive School in to provide reasons why the controls were poor and provide assurances that action will be taken to make the necessary improvements. This was in relation to an **Unsatisfactory** audit opinion in relation to:

- Caerleon Comprehensive School

Proposal

- 1) To review and assess proposed actions and come to a view if they are robust and deliverable and will address the issues identified satisfactorily within reasonable timescales.
- 2) To ensure the Headteacher takes responsibility for implementing the proposed actions.
- 3) Agree that Internal Audit will carry out further follow up work in this area by the end of 2019/20 and report the resulting outcome back to Audit Committee.
- 4) The Audit Committee is asked to note the assurances given by the Headteacher that improvements will be made to the service provided by the implementation of the agreed management actions so that the further Internal Audit follow up review will result in a more positive audit opinion.

Action by Audit Committee
Timetable Immediate

Background.

1. An internal audit review is undertaken to provide assurances (or otherwise) that appropriate internal controls, governance arrangements and risk management processes are in place to safeguard the Council's assets, to ensure the proper use of public money and that it has been used effectively, efficiently and economically, that fraud, error and misappropriation has been minimised and overall risks have been reduced.
2. Following the presentation of Internal Audit's six monthly update on unfavourable audit opinions in June 2019, Members of the Audit Committee were concerned that a significant number of issues were identified in the original draft Internal Audit report of Caerleon Comprehensive School. They were concerned that the School was operating with a large budget deficit which was projected to reach in excess of £1.6 million within the next 18 months. No recovery plan was in place to reduce the deficit amount and the School had exceeded the licenced deficit amount without obtaining further approval from the LEA. The School was in breach of the June 2014 Intervention Plan and unable to repay the £500k loan agreement with the LEA.
3. The Internal Audit of this school identified 1 Critical weakness, 25 significant weaknesses and 18 Moderate weaknesses.
4. It is important to note that the Internal Audit opinion is based on a balance of strengths and weaknesses identified within the internal control environment; an **Unsatisfactory** opinion is given where the critical / significant weaknesses identified outweigh the strengths identified. Both strengths and weaknesses are based on the evidence, or lack of, seen by the Internal Audit team, or expected to be in place but wasn't, during the audit. This report is still in draft (@ 4/10/2019) as the Headteacher has continually disagreed with the many elements of the content and management actions of this report.
5. The timeline for the Internal Audit review was as follows:

	<u>Date of audit visit to the school</u>	<u>Draft Report Issue Date</u>	<u>Final Report Issue Date</u>	<u>Audit Opinion</u>
Original Report	5 th & 6 th December 2018	15 th March 2019	Not Applicable as at 4 th October 2019	Unsatisfactory

6. Initial responses and management actions were provided by the School on 29th March 2019. Between the end of March and September 2019 a number of meetings and correspondence have taken place between the School and Internal Audit. In the main, this was to give the School the opportunity to provide additional evidence in place at the time of the audit to help support a strength in control. Although some was forthcoming, it did not change the overall Unsatisfactory Audit opinion.
7. The issues identified during the course of the audits highlighted a continued lack of internal control and exposed the Council to an unacceptable level of risk. The table of critical, significant and moderate weaknesses identified during the review is shown at Appendix B. The critical risk related to the school's budget deficit position, the fact that it had not improved and the probability that it was likely to increase significantly.
8. The weaknesses shown at Appendix B are those which Internal Audit can support by evidence, or lack of evidence which should have been in place, as at 30th September 2019.

9. A follow up audit will need to be undertaken within 6 months of the issue of the final report, with the subsequent audit opinion being reported back to Audit Committee in due course.
10. One of the key objectives of an audit report is to outline compliance against expected controls within a system, an establishment or the duration of a project or contract. Generally, the audit report should give management assurance that there are adequate controls in place to enable the system to run effectively, efficiently and economically. If adequate controls are not in place then there is greater exposure to the risk of fraud, theft, corruption or even waste.
11. NCC Internal Audit reports outline strengths of the system under review along with any weaknesses in internal control. The reports are discussed with operational management where the issues identified are agreed. The operational manager will then add his / her action plans to the report which will address the agreed issue and mitigate any further risk.
12. Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and have agreed to do this by incorporating their comments within the audit reports and taking on board the agreed management actions.
13. Internal Audit are continuing to raise the awareness of financial regulations and contract standing orders within the Council by delivering seminars to all service areas; during recent years this training has been further targeted towards areas that have had unsatisfactory audit opinions.
14. Where managers are compliant with Council policies and procedures and sound financial management can be demonstrated then audit reviews should result in an improved audit opinion being given. If, as a result, improvements are made to internal controls then greater assurance can be given by Internal Audit to the Audit Committee, the Leader and the Chief Executive on the overall effectiveness of all the Council's internal controls.
15. Giving management assurance on systems in operation gives them confidence that there is sound financial management in place, that more effective services can be provided and the risk of theft, fraud and corruption is minimised. Better service provision, looking after the public pound makes our City a better place to live for all our citizens

Financial Summary

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

Risks

17. If the issues identified in the audit reports are not addressed then weaknesses in the control environment will continue which could expose the Council to a potential risk of non-compliance, fraud, error or misappropriation.

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?
Issues not addressed by implementation of agreed management actions	M	H	School Management need to agree what action they intend taking in order to address the identified weaknesses; this then needs to be implemented.	Headteacher / Chair of Governors

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

18. Giving management assurance on systems in operation gives them confidence that there is sound financial management in place, that more effective services can be provided and the risk of theft, fraud and corruption is minimised. Better service provision, looking after the public pound makes our City a better place to live for all our citizens, hence Improving People's Lives.

Options Available

19. This is a factual progress report and therefore there are no specific options to be considered. Internal Audit team assess the adequacy of the Council's internal control environment to ensure the public pound is spent wisely and appropriately and that fraud, theft and corruption is minimised.
20. The Audit Committee is asked to note the assurances given by the Chief Education Officer that improvements will be made to the service provided by the implementation of the agreed management actions so that the further Internal Audit follow up review will result in a more positive audit opinion.

Comments of Chief Financial Officer

21. This report is compiled on behalf of the Head of Finance. It is important that the Audit Committee review proposed actions thoroughly and come to a conclusion on whether improvements will be realised, within a reasonable timescale. It will be essential that Internal Audit carry out the follow up audit sometime in 2019/20 in this area and ensure controls have improved to satisfactory levels and this will provide the Committee's future assurance in this area.

Comments of Monitoring Officer / Head of Law & Regulation

22. The Report has been prepared in accordance with the Council's internal audit procedures and Performance Management framework. It will be important to review the adequacy of the proposed management actions to address the identified risks within acceptable timescales. In particular, critical risk areas will need to be addressed as a matter of priority.

Comments of Head of People and Business Change

23. The report highlights areas for concern within the operational management of the school. The Committee is being asked to consider whether the actions outlined and progress to date are satisfactory. Internal Audit provides a critical function within the Council to provide assurance on financial systems and monitoring and to highlight weaknesses so that issues can be identified and addressed.

The Chief Internal Auditor has considered the sustainable development principle as required by the Wellbeing of Future Generations Act (2015).

Comments of Cabinet Member

24. Not applicable

Local issues

25. N/A

Scrutiny Committees

26. N/A

Equalities Impact Assessment and the Equalities Act 2010

27. The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
28. As this is not a decision making report there is no need for an Equalities Impact Assessment. All audits are undertaken in a non-discriminatory manner.

Children and Families (Wales) Measure

29. N/A

Wellbeing of Future Generations (Wales) Act 2015

30. In compiling this report the principles of this Act have been considered:
- Long term: The Internal Audit workload is based on an annual operational plan supported by a 5 year strategic plan

- Prevention: Internal Audit identify strengths and weaknesses within the control environment of Newport City Council; addressing the weaknesses gives management the opportunity of preventing gaps in service provision getting worse. This should also minimise the potential for fraud, theft, loss or error.
- Integration: Internal Audit opinions provide an objective opinion on the adequacy of the internal control environment in operation and support sound stewardship of public money.
- Collaboration: Internal Audit work with operational managers to develop an appropriate action plan in order to address identified concerns.
- Involvement: Heads of Service and Senior Managers are invited to contribute to the audit planning process each year in order to prioritise audit resources.

Crime and Disorder Act 1998

31. The work undertaken by Internal Audit should minimise potential fraud, corruption, theft or misappropriation within the Council. Allegations of potential criminal activity will be investigated and reported to the police where appropriate.

Consultation

32. N/A

Background Papers

33. N/A


Dated:

INTERNAL AUDIT SERVICES – RISK RATINGS / AUDIT OPINIONS

- The following ratings have been applied to the individual weaknesses identified during the follow up audit

RATING	DESCRIPTION
CRITICAL	Major risk to the system.
SIGNIFICANT	Unacceptable risk.
MODERATE	Risk partially mitigated but should still be addressed.

- The Audit Opinion has been colour coded based on a traffic light system and the report only contains key issues which need to be addressed.

	GOOD	Well controlled with no critical risks identified which require addressing; substantial level of assurance.	Green
	REASONABLE	Adequately controlled although risks identified which may compromise the overall control environment; improvements required; reasonable level of assurance.	Yellow
	UNSATISFACTORY	Not well controlled; unacceptable level of risk; changes required urgently; poor level of assurance.	Amber
	UNSOUND	Poorly controlled; major risks exists; fundamental improvements required with immediate effect.	Red

SUMMARY OF WEAKNESSES

The tables below summarise the individual weaknesses identified during the review.

Ref.	CRITICAL
6.01	The School was operating with a large budget deficit which is projected to reach in excess of £1.6 million within the next 18 months. No recovery plan was in place to reduce the deficit amount and the School had exceeded the licenced deficit amount without obtaining further approval from the LEA. The School was in breach of the June 2014 Intervention Plan and unable to repay the £500k loan agreement with the LEA.

Ref.	SIGNIFICANT
1.05	Receipting of budget income was not always completed promptly. Formal receipts issued did not always reflect the actual date of income received.
1.06	The income processes at the School lacked a segregation of duties. Paye.net banking reports and paying-in counterfoils had not been independently certified by the Headteacher / a designated senior officer.
1.07	There was no evidence to confirm that the School's Lettings Policy and Fees & Charges had been reviewed and agreed by the Governing Body on an annual basis. Charges for the lettings were not consistent and were collected in arrears.
2.09	The procurement quotation process for appointing a Catering Contract Management company did not present all available options to Governors. The Contract Manager was costing the School in excess of £22k over a 3 year period, despite running a deficit budget.
2.10	The School had not acquired quotes in accordance with Contract Standing Orders for Schools and there was no evidence available to support that the School had always conducted market-testing to demonstrate value for money when purchasing goods and services.
3.04	A staffing structure detailing names and job titles was not available at the time of the audit. The Teaching and Learning Responsibility (TLR) posts at the School had not been reviewed since 2015.
3.05	DBS checks were not always completed prior to members of staff commencing work at the School. In the absence of a DBS check, a DBS Risk Assessment was not always completed prior to the employees start date with the DBS application form being submitted to the DBS.
3.06	Staff were permitted to take 3 days paid leave of absence if their child was unwell. This was not recorded onto the HR & Payroll system. There was no documented policy at the School and evidence of Governing Body approval for these arrangements was not provided.
3.07	High levels of Time off in Lieu (TOIL) were being accrued by members of staff with no evidence of authorisation for the additional hours being worked. The School did not have a TOIL policy and when requesting days off using accrued TOIL, full information was not provided to the Deputy Headteacher. TOIL earned was sometimes paid as additional hours.
3.08	A number of Sickness Absence and Return to Work Discussion forms could either not be located or were not completed in full.
3.09	The review of driving at work documentation was not sufficient, had not been conducted on an annual basis for all staff and those who drove fleet vehicles / transported young people did not have their licence reviewed every 6 months.

Ref.	SIGNIFICANT
4.05	The School Private Fund management committee was not documented as meeting on a regular / termly basis to review the activities of the fund. The Fund Constitution document could not be located at the time of the audit.
4.06	Supporting documentation to identify the date and source of school private fund income being initially received was not present to support the School trip income. Teaching staff were collecting and holding significant sums of money which was in excess of the Schools Insurance arrangements.
4.07	Expenditure in relation to 'tips' on School trips were not always detailed and accompanied by supporting documentation.
4.08	The School was operating the School Private Fund across more than the permitted number of bank accounts and monthly reconciliations only accounted for 1 of the 3 SPF bank accounts held. There was no mandate held for the two additional bank accounts operated. The treasurer had online bank account access and the ability to move funds without any prior authorisation or oversight.
4.09	The SPF accounts for 2017/18 had not been independently audited. Previous account audits had not included the full fund (i.e. 3 bank accounts) and were completed by an employee of the School.
5.05	The School's inventory record was incomplete at the time of the review and did not detail all required information. It was not possible to complete an inventory check of the School's assets.
5.06	The School did not have an adequate safe and had not reviewed the access controls for a considerable period of time.
5.07	The records in support of the School's minibus were not fully completed and the statutory daily defects check sheets were not being completed.
6.02	There was no evidence to confirm that the School's budget for 2018/19 had been formally approved by the Governing Body.
6.03	No visit had been made by Schools Finance to the School for budget monitoring purposes for 5 months, despite the projected deficit. Previous visits were not made in accordance with the School's Intervention Plan (June 2014).
6.04	No budget monitoring / reconciliation documentation could be provided by the School for the period prior to the new School Business Manager commencing employment. (July 2018)
6.05	The School budget (deficit) was not a standing agenda item at the Full Governing Body meeting's The finances of the School were not regularly and sufficiently discussed by either the Full Governing Body or the Finance Sub-Committee as per the recorded minutes.
7.03	Minutes of Governing Body meetings were not readily available at the School (signed or otherwise)
7.04	Register of Business Interest forms for members of the Governing Body could not be located and had not been completed for staff employed at the School.
7.05	A number of Statutory School policies appeared out of date on the audit visit. Governing Body approval for these policies was not provided to Internal Audit.

Ref.	MODERATE
1.08	Invoices were being raised by the School in excess of £200 without going through the Corporate Debtors system.
1.09	The control record used to monitor outstanding debts was not complete. A number of invoices had been paid via the NCC Debtors system but the School records indicated the amounts were still outstanding.
1.10	The rental income for the caretaker's house had not been reviewed on an annual basis in line with the tenancy agreement.

Ref.	MODERATE
1.11	The School did not have an agreed entitlement policy for the provision of free meals to staff. Hospitality requests observed at the School were signed off by a member of staff who was absent at the time of the request's authorisation.
2.11	Purchase orders were not always raised in advance of the order being placed and the invoice being received.
2.12	Although outstanding order reports were run and reviewed by the Finance Officer on a monthly basis these were not fully annotated with the reasons for the invoices being outstanding nor reviewed by the School Business Manager. The School had 2 outstanding purchases relating to 2017.
3.10	Regular overtime was being paid to the Caretakers at the School. Income received from weekend lettings did not cover the overtime costs paid to staff. Overtime claim forms were not completed in full.
3.11	Midday supervisor allowances were paid to senior members of staff costing the School approx. £40k during the previous 12 months. As well as the allowances, these staff were also provided with a free meal. The Deputy Headteacher had approved the extension to his own midday supervisor contract.
3.12	The actual duties of the Site & IT Services Manager were not in line with the Job Description and grade.
3.13	Line rental was paid to the Site & IT Services Manager for their personal mobile phone rather than using an agreed corporate contract.
4.10	The Headteacher was not a signatory on the School Private Fund Account.
4.11	The spreadsheet used to manage the School Private Fund transactions did not detail all income received.
4.12	Statements of Account for School trips were not completed promptly and were not reported to the management committee.
5.08	The School did not have an agreed policy for the disposal of assets. There were no records maintained for assets disposed of prior to the Audit.
5.09	Portable IT and electrical equipment had not been security marked as belonging to the School / NCC.
5.10	The School did not have a complete key holder list identifying those with access to the School buildings. Keys held on the premises were not adequately concealed.
5.11	The process for visitors signing in and out at the School was inefficient.
6.06	The virement limit for the Headteacher was approved by the Finance Sub-Committee. There was no approved spend limit.

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