

Minutes



Governance and Audit Committee

Date: 25 March 2021

Time: 5.00 pm

Present: Mr J Baker (Chair) Councillors H Thomas, M Whitcutt, K Thomas, P Hourahine, R White, R Mogford and J Jordan

Pamela Tasker (Governance Officers), Ellie Howard, Rhys Cornwall (Head of People and Business Change), Paul Flint (Performance and Research Business Partner), Sarah Morgan (Chief Education Officer), Dona Palmer (Audit Manager), Andrew Powles (Assistant Head of Education - Engagement and Learning) and Andrew Wathan (Chief Internal Auditor) (Governance Officer)

In Attendance: Andrew Wathan (Chief Internal Auditor), Emma Archer (Music Support Service Manager), Sarah Morgan (Chief Education Officer), Andrew Powles (Deputy Chief Education Officer), Rhys Cornwall (Head of People and Business Change), Dona Palmer (Audit Manager), Paul Flint (Performance and Research Business Partner), Ramim Kahn (Audit Wales), Anthony Veale (Audit Wales)

Apologies: None

1 **Declarations of Interest**

None

2 **Minutes of the Last Meeting**

The minutes of the previous meeting were agreed as a true and accurate record.

3 **Call in the Chief Education Officer, Deputy Chief Education Officer & Head of Gwent Music re the Internal Audit Unsatisfactory Opinion on Gwent Music**

Andrew Wathan, Chief Internal Auditor, presented this item, explaining that an unsatisfactory opinion on Gwent Music had been issued in the previous year. After receiving this, the Education Management team then provided a paper in terms of the progress against the action plan, which is considered a very detailed account. The Music Support Service Manager has made a concerted effort to address these concerns. Members still wanted further information with regards to the musical instrument use (e.g. loaning in and out etc.), which is why the item has been brought for review at this meeting.

The Deputy Chief Education Officer, Andrew Powles, explained that the service was furloughed from April to September 2020. In September, the staff returned and the first priority of senior managers was to address the audit concerns. Following this, the service was furloughed again, but the senior managers remained working to continue addressing these concerns. In March, Internal Audit carried out an interim follow up review. This demonstrated satisfactory progress and that the audit process was being taken very seriously.

The Music Support Service Manager, Emma Archer, commented that a number of the actions from the initial audit have now been completed satisfactorily. Covid-19 has posed significant difficulties to some of these actions due to school sites not being open or not allowing access for visitors. The focus has mostly been on moving forward on the stock check. 94% of the instruments on the asset register have been checked (5048 instruments). Out of 154 schools, all but 29 schools have been stock checked. There will therefore be some remaining instruments which need to be updated on the asset register.

Discussions included the following:

- Members thanked the team for the update and recognised the difficulty posed by Covid-19. It was questioned why there is such a long time between stock checks. Is there a systematic difficulty with doing this?
 - The Music Support Service Manager responded to explain that it is a time consuming process. The stock is constantly moving under normal circumstances, so the best time to do a stock check is normally over the holiday period. With over 5000 instruments, this is a significant piece of work. Moving forward, the service would need a different way of working- the new software being introduced will have more automation in it, which will stream the automation side. The service may need to revisit the process of the physical handing out and handing back of instruments. This currently relies on peripatetic self-employed staff to undertake this. The service may have to be more restricted in the future as to how we hand over loans in the future.
 - Members responded, wanting to ensure that students can access instruments still and that a new way of working doesn't make this more difficult. Would there be a way to 'barcode' the instruments to be scanned in and out?
 - The Music Support Service Manager explained that one of the improvements in the new software incorporates a scanning in and out system.
- The Chair commented that the Audit Committee don't want to create bureaucracy for the sake of it. The basic premise to be monitored is that if a student is given an instrument, potentially there could be a loss of asset. Could a negative assurance approach be taken? I.e. students/parents have a duty to tell the service if the asset is returned, and if contact is not made, the service has a right to request payment. This would help to reduce bureaucracy, whilst still retaining control.
 - The Music Support Service Manager explained that the process that was in place currently/historically was a paper driven form. Moving forward, the improvements are moving to a digital platform, meaning the parents sign up to the T's&C's of the loan, see the details of the instrument, requirements of the loan etc. on the portal or app. The whole process should be a lot more automated and streamlined now.
 - The Chief Internal Auditor expressed that the concern from an audit perspective is to safeguard the assets of the Authority, so a more streamlined way of controlling this would always be advocated, to ensure that appropriate controls are in place.
- Members asked whether, of the 5000 instruments identified, are all of these related back to the initial purchase on the system, and if new instruments are purchased are they also uploaded into the system?
 - The Music Support Service Manager replied that, in 2016, all this information was transferred over to the new system using an access file. New purchases are therefore automatically added. Part of the process has been to review all of the data transferred in 2016. Going forward, the purchases are automatically logged on the system.

- The Chief Internal Auditor mentioned that previously, there had been issues identified with instruments being on loan for much longer than reasonable, is this now being tracked?
 - The Music Support Service Manager explained that this was due to an error in recording rather than the instruments actually being out on loan for a long period. Now all of these have been tracked. There are only 280 live loans currently. The service is currently operating at less than 10% of normal pupils. Aside from this, there are six outstanding loans, but these are to university students who have had their loans approved as they assist the service.
- The Chair enquired whether any instruments not identified had to be written off?
 - The Music Support Service Manager explained that there are 900 records which the service haven't been able to confirm. However, this is likely to include duplication of some instruments, for example, brass and wind instruments are easy to track, but string instruments are harder to identify. The service will seek approval from the Chief Education Officer to write-off the final number of instruments once this number is established.
- The Chief Internal Auditor questioned whether the service is confident that all the instruments have now been recorded.
 - The Music Support Service Manager was confident that all instruments have been recorded, apart from those in the 29 schools which are not allowing access.
- Members asked if the financial responsibility is quantified, particularly for instruments where we are not sure of their location.
 - The Music Support Service Manager replied that insurance has been taken out on all the instruments that are in location. There is a full asset list with valuations which has been approved by the brokers. The vast majority of instruments are for students, so there is a recognised amount of wear and tear and general damage to the assets which would be expected. The vast majority of instruments are 7 years or older.
 - Members asked if the audit report reflects this.
 - The Chief Internal Auditor explained that the interim follow up audit was still underway so we are awaiting the results of this. Internal Audit is hoping to do a full follow up audit later in the year once everything is back in motion.

Agreed:

The Audit Committee noted the report and commended the improvements made by the Gwent Music Service. The Committee acknowledged the forthcoming follow up audit due to take place later this year.

4 Corporate Risk Register (Quarter 3)

The Chair clarified that this item is about reviewing the process of the risk register, rather than the actual financial risks themselves.

The Head of People and Business Change, Rhys Cornwall, presented this item. At the end of Quarter 3, the Council had 52 risks in total, 18 of which were recorded and monitored in the corporate risk register. Now, 1 of these risks has been closed, and 5 have had a change in their risk rating. The demand on the ALN and SEN team has an increase in risk rating, as well as Newport Council's Property Estate risk. The 'Brexit' risk has reduced, the Education Out Of County placements have a reduced risk, and the Schools' finance/cost pressures risk has reduced.

At the last Audit Committee meeting, the risk matrix was raised, and it was expressed that the committee wanted this to be more sophisticated. There won't be a change to this at this meeting as this is Q3, but these will be taken forward as part of the annual review of the corporate risk policy.

Discussions included the following:

- Members asked if the risks of financial pressures on schools be broken down into primary and secondary. This might better highlight the figures.
 - The Head of People and Business Change replied that he would take this back to the relevant Heads of Service.

- Members commented, in reference to page 35 of the report, that there are continually changing circumstances in the risk register. How frequently is the risk measurement level updated, as the risk level constantly changes?
 - The Head of People and Business Change explained that, within each service area, a whole range of risks are being dealt with, many of which are dealt with on a day-to-day basis. The formal review and update takes place on a quarterly basis. This risk rating represents a snapshot in time from that quarter. It is a constantly moving process, but as part of the governance process this reflects a snapshot of the information.
 - The Performance and Research Business Partner, Paul Flint, added that the management information hub is used to record all of the risks from service areas. Officers can use this system to update their own risk scores. All service area risks are then considered, to ensure that the risk rating is correct and reflects the right score. Management will then consider risks that either need to be escalated or closed. In Q3, an example of when this happened was the housing risk, where two risks which were amalgamated to reflect the true level of risk in the service area.

- Members asked if we assess risk across other councils, and if so does this have an impact on the risk rating in our own Council?
 - The Head of People and Business Change replied using the example of cyber security. The Council will consider what is happening in other areas, innovative practice, risk they have etc. However, regardless of those issues, that does not lessen or increase our own personal risk. With cyber security, we are ahead of the curve in Newport, but it is still a significant risk. We do look at other LAs, but this doesn't impact upon our own risks.
 - Members agreed that individual LAs will identify vulnerabilities, this can have an effect on other places but this is still mostly held within the LA itself.

Agreed:

Audit Committee considered the contents of this report and assessed the risk management arrangements for the Authority, providing any additional commentary/ recommendations to Cabinet.

5 **Audit Wales Annual Audit Plan 2021**

A representative from Audit Wales, Ramim Khan, presented this audit plan. This sets out the work from the performance and financial audit side. A few highlights from the plan were briefly presented.

Exhibit 1, page 90 of the agenda pack, which summarises financial risks that have been identified. There are a few risks arising from Covid-19, e.g. business grants, investment assets etc. These will be monitored throughout the audit.

Exhibit 3, page 95 of agenda pack, similar to financial audit, this relates to performance. The local audit work was flagged. Further discussions will take place to determine what the local work will be.

Exhibit 6 is a timetable of when the work is planning to take place.

Discussion included the following:

- The Chair asked if we are sticking to the original timetable.
 - The Representative from Audit Wales replied to say that the financial audit is scheduled at the end of September, to give the maximum amount of time for everyone to complete the work needed.

- Members asked if any penalties will be imposed on the Council if there are delays in submission due to Covid-19.
 - The Representative from Audit Wales explained that if a deadline is going to be missed, the Council need to publish this on their website. However, a penalty would not be imposed.
 - The Chair commented that we need to ensure that we are meeting this deadline and taking it seriously.

Agreed:

That the report be noted and approved by the Council's Audit Committee. The extended deadline of the end of September was acknowledged, and the committee agreed it would be prudent to make every effort to meet this deadline.

6 Annual Audit Summary 2020

The Representative from Audit Wales explained that the annual audit summary summarises the work that has been completed. There is no real new information to note, this simply replaces what was previously the audit letter and the annual report.

There were no questions from the Committee.

Agreed:

That the report be noted and approved by the Council's Audit Committee.

7 Internal Audit Unsatisfactory Audit Opinions (6 monthly report)

The Chief Internal Auditor explained that this is one of the regular reports brought to Audit Committee. This is an update to demonstrate improvement of audit opinions year on year. It is not recommended as a result of this to call in any Head of Service at this time. There has only been one *Unsatisfactory* opinion issued by Internal Audit since the last report.

The Chief Internal Auditor ran through the pattern of audit opinions issued over the past several years.

During 2018/19- 48 audit opinions were issued, 10 of which were *Unsatisfactory*. 6 of these are now rated as *Reasonable*, and there are still some ongoing pieces of work.

During 2019/20- 32 audit opinions were issued, 6 of which were *Unsatisfactory*; most of these are yet to be followed up.

During 2020/21 (until December 2020)- 12 audit opinions have been issued, 1 was deemed *Unsatisfactory* (The Newport City Dogs Home).

The key issues have been outlined in the report.

The Chair duly noted all of these issues raised. No further questions from the Committee.

Agreed:

The Committee noted and approved the report.

8 **Draft Work Programme**

The Chair explained that a similar timetable to that presented previously is planned for the forthcoming year.

The Chief Internal Auditor explained that this will be reviewed in the interim and updated as appropriate.

Agreed:

The Committee endorsed the draft work programme.