

Agenda



Audit Committee

Date: Thursday, 25 March 2021

Time: 5.00 pm

Venue: Virtual Teams Meeting

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

Item

- 1 Apologies for Absence
- 2 Declarations of Interest
- 3 Minutes of the Last Meeting (Pages 3 - 14)
- 4 Call in the Chief Education Officer, Deputy Chief Education Officer & Head of Gwent Music re the Internal Audit Unsatisfactory Opinion on Gwent Music (Pages 15 - 30)
- 5 Corporate Risk Register (Quarter 3) (Pages 31 - 84)
- 6 Audit Wales Annual Audit Plan 2021 (Pages 85 - 102)
- 7 Annual Audit Summary 2020 (Pages 103 - 124)
- 8 Internal Audit Unsatisfactory Audit Opinions (6 monthly report) (Pages 125 - 136)
- 9 Draft Work Programme (Pages 137 - 140)
- 10 Date of Next Meeting
28 May 2021
- 11 Live Event
[To view the live event please click here](#)

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Date of Issue: Thursday, 18 March 2021

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Minutes

Audit Committee

Date: 28 January 2021

Time: 5pm

Venue: Microsoft Teams Live Event

Present: Mr J Baker (Chair), J. Jordan, H. Thomas, K Thomas, P. Hourahine, L. Lacey, R.Mogford.

In attendance: Andrew Wathan (Chief Internal Auditor), Dona Palmer (Audit Manager), Gareth Lucey (Wales Audit Office), Robert Squance (Audit Manager), Owen James (Assistant Head of Finance), Meirion Rushworth, Head of Finance, Rhys Cornwall (Head of People & Business Change), Paul Flint (Performance & Risk Business Partner), Anne Jenkins (Governance Team Leader), Pam Tasker (Governance Support Officer).

1. Apologies for Absence

Cllrs Whitcutt and White

2. Declarations of Interest

None

3. Minutes of the Last Meeting held on 19 November 2020

The minutes of the meeting held on 19 November 2020 were submitted.

It was noted that R Khan, Audit Lead attended the meeting not G Lucey.

Item 4 - Corporate Risk Register Update under Questions:

Councillor K Thomas referred to the last sentence; in relation to number of redundancies in the Council, this was in relation to the monitoring of numbers in the likelihood of citizens redundancies and not council staff redundancies. This was duly noted by the Committee.

Councillor Hourahine referred to an action for the Head of People and Business Change in relation to the speculation on a raise in capital gains tax and it's potential effect on the private housing rental market. It was confirmed that the Head of People and Business Change would go back to the service area to find provide more detail and it was not an action for the Audit Committee. An update would be provided in writing to the Committee.

Item 8 Call in for the Chief Education Officer, Deputy Chief Education Officer and Head of Gwent Music re Internal Audit Unsatisfactory Opinion:

It was confirmed by the Chief Internal Audit Officer that the above item was moved to Spring 2021 as most of the staff were placed on furlough and would not have the

opportunity to address the issues raised by Audit Committee, including retrieval of musical instruments.

Agreed:

That the Minutes were accepted subject to the above.

4. Corporate Risk Register Update (Quarter 2 July to September)

The Council's Corporate Risk Register monitored those risks that might prevent the Council from achieving its Corporate Plan or delivering services to its communities and service users in Newport.

At the end of Quarter two, the Council monitored 56 risks across its eight service areas; 19 of the 56 risks were recorded in the Council's Corporate Risk Register and considered to have a significant impact on the achievement of the Council's objectives and statutory obligations. At the end of quarter two, there were no new or escalated risks from service area risk registers; and no risks were closed or de-escalated. Overall, there were 11 Severe risks (risk scores 15 to 25); six Major risks (risk scores seven to 14) and two Moderate risks (risk scores four to six) that were outlined in the report.

The role of the Audit Committee was to review and monitor the corporate governance and risk management arrangements in place, with comments and recommendations of the Committee on risk process considered by Cabinet.

A brief introduction on the report looked back in time to the end of the September Risk Register. This monitored risks that might stop the Council achieving its objectives as well as covering escalated Risks in the Register. These risks could be challenged through the Scrutiny process rather than at Audit Committee. An additional paragraph in relation to an all member seminar on the Local Government Elections (Wales) Bill, addressed potential changes around performance management.

The Chair asked for a brief outline regarding any potential changes to Audit Committee due to the forthcoming Act and whether this could be an agenda item for a future meeting. Any responses arising from the consultation would come into force hopefully in April this year. If there were any potential changes to Audit Committee, this would relate to performance management requirements. Following consideration of the consultation from Welsh Government, this could be discussed at Audit Committee later this year and could possibly be considered in the work programme at an October/November meeting.

Discussions included the following:

- Referring to page 15 in the Agenda papers, Councillor Hourahine was disappointed with the table of risks, one risk had been addressed, however it was noted that the rest of the figures were static. Councillor Hourahine expected this to be dealt with as close to the source as possible. The Chair agreed with the observation and referred to the target risk table, which he felt was a tick box exercise and considered the risk appetite was not there unless the scoring was changed from 1-10 to 1-5, therefore it was not sure what was a valid risk or not.

Councillor Hourahine referred to the matrix numbers and suggested there might be other ways of achieving a better outcome, rather than five by five, which might mean too many equal risks. The Head of People and Business Change advised that the table represented the top risks that the Council was dealing with. Most were incredibly difficult to address in the short or medium term to overcome. Cyber

security for example would have been removed from the risk however, Covid 19 increased the risk in relation to home working. There was also a path out of Ash Die Back Disease.

The Performance and Research Business Partner raised two points; the risk appetite would have been presented to the Audit Committee last year and covered off in risk management policy and agreed by Cabinet in June last year. This would be reviewed again on an annual basis to see whether there was a need for change.

Secondly, the comments regarding the target risks scores were valid; this was introduced as part of the new risk management process last year. The risk owner would determine the level of risk and whether it was an inherent risk. In addition, there was a target risk score to push service areas to mitigate against the risk raise such as cyber security or climate change, which the Council had no power over and would therefore have to accept and receive assurances from SRS in relation to cyber security, to mitigate and prevent it from happening. The Performance and Research Business Partner was always in conversation with Heads of Services to monitor these risks and discuss whether they can be taken off the register. There would be more risks being removed from the register by Quarter Three, this was also raised at Corporate Management Team if risks we raised.

- Councillor Jordan asked if there would be any changes in Quarters Three and Four considering what had happened over the past year. The Performance and Research Business Partner considered that there would be changes and that plans were in place for Heads of Service to look at forthcoming services plans and any emerging risks as a result of new legislation; this was again an ongoing process. An example of this was the red scoring relating to Brexit trade negotiations in Europe, which had now decreased and would change in the next two Quarters.
- Councillor Lacey observed that, with her audit background, the document was easier to read and complimented officers on their layout.
- Councillor K Thomas echoed these comments but had noted that only one risk had closed. In these turbulent times, what would be normal movement on the list in Quarter Two. It was expected that two or three risks would close each Quarter or every six months. More changes would occur in Quarter Three, with more movement in the corporate risk and service area risk.
- Councillor Hourahine referred to page 64 Schools Finance and cost pressures which had shown that figures remained static which was disappointing. School governors were doing their best to bring down finances to the required levels and were other schools doing the best they could.

Agreed:

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

5. Internal Audit Annual Plan Progress (Quarter 3)

The attached report identified that the Internal Audit Section was making progress against the 2020/21 audit plan and internal performance indicators even though the agreed revised plan only took effect from October 2020 due to the impact of the Covid-19 pandemic.

Covid-19 significantly impacted on Internal Audit and its ability to deliver the original full year plan. Corporately the focus was on delivering essential front line services to deal with the pandemic. The Internal Audit team supported the business grants process and undertook extensive counter fraud work whilst the majority of the regularity audits were put on hold for an interim period.

The original audit plan was based on 1208 audit days; the revised audit plan was based on 626 audit days.

The Chief Internal Auditor went through the appendices within the report for the Committee.

Discussions included the following:

- The Chair referred to the number of audit days carried out by staff in Paragraph 8; Audit Plan and the Impact of Covid-19. The Chair observed that if someone were to look at the figures coldly it would imply that during the 626 audit days, staff were not doing their work for 600 days, although as outlined in the report, staff were carrying out other duties. The 1208 days related to a full year audit plan; the 626 days related to the revised plan, which was to be undertaken during Q3 & Q4 of the 2020/21. The Chair was assured that this was in relation to many issues, including with working from home, research work and information gathering. Audit were dealing with front line staff including social workers and the Audit team were respectful of that and gave staff space; making allowance for the circumstances surrounding Covid-19. This meant that it had taken longer for the work to reach the Audit team in some areas but they were working their way through the plan. The Chair felt if the paper was read in isolation, it could give the impression that things were not as active as actually explained by the Chief Internal Auditor. When reviewing the annual governance statement, the Committee could place reassurance on the fact that staff were doing proactive work which helped to control the environment.
- Councillor Jordan asked if the Audit Team were still down one member. This was the case; however their work was being covered with external support.
- Councillor Lacey appreciated that the team were struggling with man-hours and asked if this had an impact on previous months work, would the team be able to catch up with any backlog. The Chief Internal Auditor revised the plan in the first six months of the pandemic and reprioritised work, assessing the risk of audit and putting a plan in place going forward. Work had to be re prioritised with less important jobs being put on hold. In addition, Councillor Lacey asked had lessons been learned from the pandemic on how to deal with work and any challenges carried forward. It was agreed that there would be improvements and that access to information from service areas was progressing but could be improved. In addition the team had struggled to receive information electronically as many services were still paper driven. Everything operated by the Audit Team was digitised but not all services within the Council had gone down that route.

Agreed:

The report be noted by the Council's Audit Committee.

6. Code of Corporate Governance – Update (2020)

It was important for the Council to have an up to date and relevant Code of Corporate Governance. The Council's Annual Governance Statement was based on the Code of

Corporate Governance. The Code was last revised in 2014 and approved by Cabinet. Newport City Council's Code of Corporate Governance was updated and revised to comply with the published good practice of Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This was "Delivering Good Governance in Local Government Framework 2016" and "Delivering Good Governance in Local Government Guidance Notes for Welsh Authorities 2016", which embraced the elements of internal financial control required by the "Code of Practice on Local Authority Accounting in the United Kingdom".

The Chief Internal Auditor went through the Appendices, outlining the intention to reduce the size of the Annual Governance Statement by referring to the Code of Governance. The report had been considered by the performance team and Heads of Service for comment. Members of the Committee were therefore given the opportunity comment on the report, to shape the governance before it went to Cabinet for approval.

The Chair observed that there were similarities in the Code with the AGS-this would remove a lot of duplication.

Discussion included the following:

- Cllr Hourahine referred to page 85, Item 7 in the report which stated there were no financial issues relating to the report. Councillor Hourahine considered that any changes to a process within Local Government usually meant that there would be financial implications, such as in the officer's time. With this in mind, would there be more or less officer's time to comply with the code, as it was rarely a static situation. The Chief Internal Chief Auditor Officer advised that there were no additional financial implications to bring this Code together. It was generally the role of the Chief Internal Auditor to prepare the AGS and this input had remained fairly static over the past couple of years; any impact on finances was therefore minimal.

Agreed:

That the Audit Committee endorsed the Code of Corporate Governance before being presented to Cabinet for formal approval.

7. Financial Memorandum of the 2019-20 Financial Audit

This report was an addendum to the Audit of Accounts Report that was presented to the Audit Committee on 28 September 2020. The report set out the recommendations arising from an audit of the 2019-20 accounts for Newport City Council and Newport City Council Group.

This report was a summary of the work carried forward from September with three principle recommendations. There were fewer incidences last year where items were accrued and no material impact. The Audit Team would work with management for the next planned audit.

Recommendations referred to version control and classification of accounts such as cash equivalents.

The Chair took the opportunity to once again thank all the staff who contributed to the work throughout the audit.

Discussions included the following:

- Cllr Hourahine asked whether Audit Wales gave reasonable notice to Council staff that an audit would take place, as services would be stretched to provide figures on time. In addition, were staff cooperating with the audit? The Wales Audit representative assured the Councillor on both counts that there were no issues and that there was a good working relationship with Newport City Council staff.

Agreed:

That the Audit Committee noted the Audit of Accounts Memorandum arising from the 2019/20 Audit.

8. Capital and Treasury Management Strategy

The Council had ambitious plans for the city as set out in its Corporate Plan and the promises set out within it. A key enabler to deliver on this ambition was the capital programme. This report included both the Capital and Treasury Management Strategies which, at their core (i) confirmed the capital programme, as part of the Capital Strategy and (ii) the various borrowing limits and other indicators which governed the management of the Councils borrowing and investing activities, as part of the Treasury Management Strategy.

The 'Capital Strategy' also set out the long-term context (10 years) in which capital decisions were made and demonstrated how the Local Authority took capital / investments decisions in line with service objectives, giving consideration to both risk/reward and impact; as well as properly taking account of stewardship, value for money, prudence, sustainability and affordability.

The capital plans of the Authority was inherently linked with the treasury management activities it undertook and therefore the 'Treasury Management Strategy' was included alongside the 'Capital Strategy'.

The main recommendations arising from the two strategies were summarised in the report and were also appended.

It was highlighted that the borrowing would increase over the next three to four years, therefore a sustainable limit was needed. This limit would be set in order that Council could not go over the capital programme. The Audit Committee were asked to provide their recommendations to Council.

Discussions included the following:

- Councillor Jordan referred to Page 124, Table 1: Prudential Indicator Estimates of Capital Expenditure and Capital Financing for the year 2021/22 £62.3M and 2022/23 £71.6M. Councillor Jordan noted a dramatic increase over the period from 2020/21 where figures showed as £33.1M. The Assistant Head of Finance advised that this was due to slippage in the previous years, however as we came to the back end of programme there were a few schemes that needed to be completed. A lot of this referred to the Band B school project, along with other up and coming big schemes in those years. The City Deal cost had accelerated its programme forward into largely 2021/22 and 2022/23 and in addition, grant funded schemes were also being carried into the next two year period. The Capital Programme was shown further down

within the appendix in further details but essential it was finishing off the current Capital Programme.

- Councillor Lacey referred to the medium to long term Capital Investment and taking into consideration the past 12 months, how much was wiped off our investment as a result of this and was the Council into medium risk investment and what would happen next. The Assistant Head of Finance advised that no investment into a risk category prior to the pandemic, therefore from an investment balance had not lost any money at all. Interest rates however, on cash balances were very low, e.g. 0% and on some days were placed with the Government DMO who gave negative interest rates at the moment, which was why it was important to securely move the £10M into higher yielding investments going into 2021/22. The Council were planning to do this this year but have not due to the pandemic, however, things have stabilised, which is what we were being told by our investors and have not lost capital value. The hit on the kind of investments that local authorities had been carrying out had not been that big.

Secondly, Page 147 bullet point regarding latest demands on the Capital Programme and if investment in relation to the Transporter Bridge and the recent £8.5M from HLF, had that changed this bullet point. The Assistant Head of Finance was aware of HLF coming through and included Phase 1 and more recently Phase 2 of the lottery funding, this was therefore pre-empted and was incorporated within the report.

- Councillor Hourahine referred to the Assistant Head of Finance's introduction where it was mentioned that we received a good principal grant from the Welsh Government this year. Councillor Hourahine, however considered the grant as adequate/better than expected grant based on Newport's population rather than giving the Council a higher grant this year. The Assistant Head of Finance agreed that the plans were much lower. The Head of Finance added that it was considered a good settlement by comparison to what was planned and there was a retrospective adjustment made as well. We were now being funded on an updated population base, which meant we were receiving what we were due.
- Councillor K Thomas referred to the development of Llanwern, which was 4,000 and Cothill was over 2,000 properties and therefore asked when did the Welsh Government normally consider population figures to pass on money; would this be 12 months in advance, if so, it could have a significant impact for Newport, considering the size of the development currently taking place. The Head of Finance was not aware of this detail but the Census undertaken every 10 years, which probably took up to 18 months to collate, therefore this was based on real collected data. Within the 10 years leading to each Census a population estimate was used by the Office of National Statistics. This was a good point raised by the Councillor; how was the inward migration included. Whilst the Head of Finance was not able to answer this, he would contact his colleagues at the Welsh Government to provide an answer to report back to the Committee regarding general population numbers.

Incidentally, Councillor Jordan mentioned that this was the last National Census to be carried out as the Office of National Statistics had the ability to progress their research and provide a wealth of data relating to populous.

- The Chair referred to the important sums, which was slightly confusing, in so far as on the one hand there was unsustainable debts potentially going forward, high levels of financing costs compared to other authorities, the question there would be how high was high. Making reference ahead of finance recommendation and the Head of

Finance Summary replicated what was already in the paper and therefore could not tease out the recommendations clearly. Therefore was not sure what the paper was trying to achieve. The level of borrowing was basically based on what the Capital Programme was and could be more clearly summarised, regarding borrowing and investments, e.g. operational boundaries if these were created by the capital financing requirement the true level that you could go up to was the authorised limits. If one was therefore saying that some of the debt levels were potentially too high, then the operation be amended or clarified in the paper to highlight that this was causing a problem and at what level should it be not to cause a problem. The Chair advised that reading the report 'cold' might not help councillors and considered more clarity in relation to the debts from an operational level and whether the capital programme was too ambitious for the Council's funds. The Head of Finance explained that because we were funding the capital financing revenue costs of the current programme to the end of 2023/24, then that was affordable. It took us to a position which was a fairly high level of revenue cost that had to be spent on outstanding debts compared to our peers. However, it was no more than it was currently as a percentage of our budget and the risk that funding slows down in the future although this budget was locked in, was no different and therefore not a new risk. For the next four years, the actual advice to the Council was, this was affordable and it took us to a reasonably high level of revenue cost and debts but as a percentage of our budget, it was not much. The key recommendation was beyond the four year period. That line was too steep to sustain and exemplified what that would look like at the two levels mentioned previously by the Assistant Head of Finance and this would be considered as a warning to Council that we could not continue at this level. It would therefore be for the Cabinet of the day to manage the capital programme within the borrowing limits. One half of the capital programme was funded from grants, so even with a £7M annual borrowing over a period of five years, £35M, we would probably be looking at a Capital Programme of well into £78M, with the grant funding element included. The Head of Finance would therefore reflect on the Chair's point about being clearer and sharpen up that element. The Assistant Head of Finance advised that the operational boundary limit was set at a level which was affordable and what the current programme stated which was the low level that the Head of Service was recommending to Council and that would deliver the current capital programme.

- Councillor Jordan asked if the Council had saved more money this year than was expected due to the pandemic and whether this could be added towards this year's budget. The Head of Finance advised that this was a mixed picture. There was pressure on revenue to deliver savings however, on the other side there were opportunities to make savings such as office/travelling expenses were lower, school closures etc. Cabinet had shown a £3M underspend but this was offset in other areas. Also reduction of people in the social care system had also made savings, covered by the Welsh Government hardship fund. It would not impact on next year's budget but would go into the Council's reserves. In response to Councillor Jordan's final question however, this would not go towards reducing the council tax fund.

Finally, the Head of Finance mentioned that the Assistant Head of Finance was leaving Newport City Council and thanked his colleague, who would be missed, for his hard work over the years. The Audit Committee congratulated the Assistant Head of Finance and echoed comments from the Head of Finance.

Agreed:

- That Audit Committee provided comment on the Capital Strategy (Appendix 2), including the current capital programme within it (shown separately in Appendix 1)

and the borrowing requirements/limits needed to deliver the current capital programme.

- That Audit Committee provided comment on the Treasury Management Strategy and Treasury Management Indicators, the Investment Strategy and the Minimum Revenue Provision (MRP) for 2021/22. (Appendix 3)

Also as part of the above:

- Noted and commented, as needed, on the increased debt and corresponding revenue cost of this in delivering the current capital programme, and the implications of this over both the short and medium-long term in terms of affordability, prudence and sustainability.
- Noted and commented on the Head of Finance recommendation to Cabinet and Council, that borrowing needs to be limited to that included in the current capital programme and,
- That future debt funded expenditure should be limited and managed within the agreed limits to ensure external borrowing remains within a sustainable level over the long term.

9. Call in the Head of Children and Young Peoples Service Manager of Resources: Internal Audit Unsatisfactory Opinion on SGO Kinship Payments

The Audit Committee took this item first to allow for all members present to have their say.

The report informed the Audit Committee of the action taken by management in the Service Area to date and its progress against the agreed action plan in respect of the Unsatisfactory audit opinion for Special Guardianship Orders (SGO) / Kinship Payments.

The Head of Children and Young People Services presented her case to the Audit Committee. This was a challenging period with a depleted management team from five to two managers and the service area was awaiting new guidance from Welsh Government along with further work, hence the delay. There was also a national piece of work to change parameters in relation to this matter, which also added to the delay in implementing the agreed management actions.

In the meantime, the Head of Children and Young People Services was pleased to report a full complement of staff in the management team and the recently appointed Service Manager (Resources) had taken a proactive step towards approaching financial support and had care funding from Welsh Government. The team supported special guardian kinship and child care. Work had grown exponentially and there was a positive change in culture.

It was hoped that the Chief Internal Auditor would agree that the service area was in a better place in light of all the recent changes.

The Chair thanked officers for their presentation.

Discussions included the following:

- Councillor Hourahine queried the high turnover of management staff. It was advised that there had been changes, however going forward there was only one agency social worker out of 340 staff. There were still vacancies however the working relationship with staff was good, most of which came to the Council as students and

stayed with us. The service area was in a very different place to where it was in 2013. This would always be a watching brief but the Head of Service felt much more confident. In addition, there would always be vacancies but staff more recently had left for good reasons such as promotions. Councillor Hourahine added that social workers did a wonderful job and worked hard for the Council.

- Councillor K Thomas asked if most of the payments had gone through. Fortunately, the Head of Service advised that they had, however, the problem was with the process and procedures, although families were not left without financial support. Additionally, Councillor K Thomas asked was Internal Audit part of the process at the time. It was confirmed that Internal Audit were not at that time, and a number of assessments were linked to the Courts and financial assessment. There were two yearly reviews on a finance and needs basis, which was part of the regulations. The Director of Social Services Annual Report to Council highlighted that the preventative side of social work was paramount. Councillor K Thomas also asked if the amalgamation of teams had strengthened this. The Head of Service advised that the challenge was that children/families were already vulnerable but it was clear that this type of support was working for families. The service areas was working hard to ensure that the support plans in place were tailor made for each family and it was recognised that some families would dip in and out whereas some would need constant support. In relation to preventative work, yearly reviews were undertaken to check any issues to prevent escalation, the duty desk and newsletter provided support for carers in Newport; this was one of best the practices in Wales.
- The Chair considered the shortage of staff and was concerned that money was not going to families. During this period, therefore could the control be altered slightly to ease burden with the shortage of staff as a lot could be done to streamline control from a financial point of view. The Head of Service advised that this was not the case as the system was automated and was therefore confident that control measures meant that the service area was in a much better place and the bureaucracy had diminished.

The Chair also looked at the action plan reasons relating to two unsatisfactory opinions and asked was this due to lack of staff. It was advised the service area had not grasped the need to remedy this however it had now risen up the agenda for social workers and teams are now in place to address the processes.

- The Chief Internal Auditor was concerned that the overall practice was inconsistent; however the value was considerable and would build back into the audit planning process a follow up review to update the Audit Committee in due course. Internal Audit had a good working relationship with the Service Manager at an operational level and were happy to work with managers going forward.

Agreed:

That the Audit Committee were informed of the action taken by management in the Service Area to date as well as progress against the agreed action plan in respect of the Unsatisfactory Audit Opinion for Special Guardianship Orders/Kinships.

10. Draft Work Programme

The purpose of the forward work programme was to help ensure Councillors achieved organisation and focus in the undertaking of enquiries through the Audit Committee function.

The report presented the current work programme to the Committee for information and detailed the items due to be considered at the Committee's next two meetings.

It was noted that Councillor Jordan would not be at the next Audit Committee.

The Chief Internal Auditor would liaise with the Governance Team Leader to make any changes.

The Audit Wales Officer asked for the March Annual Audit plan to be added to the work programme.

Agreed:

That the Audit Committee endorsed the proposed schedule for future meetings, confirming the list of people it would like to invite for each item, and indicated whether any additional information or research was required.

11. Date of Next Meeting

Thursday 25 March 2021

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Briefing Note

Audit Committee

Part 1

Date: 25 March 2021

Item No: 4

Subject Unsatisfactory Audit Opinion – Gwent Music Support Service 2019/20 – Audit Committee Call In

Purpose To inform the Members of the Council’s Audit Committee of:

- i) The action taken by management in the Service Area to date and progress against the agreed action plan in respect of the Unsatisfactory audit opinion for *Gwent Music Support Service*;
- ii) Specifically, why there is no tracing of assets such as for musical instruments.

Author Emma Archer – Music Service Manager
On behalf of Sarah Morgan, Chief Education Officer

Ward General

Summary

Date of Final Audit Report: 29/01/20
Opinion: Unsatisfactory

Date of Internal Audit Follow Up Visit: Scheduled for Qtr 4 2020/21 (subject to any impact from Covid-19)

Gwent Music Audit Response

Gwent Music welcomes the findings of the audit and is committed to taking forward all actions to remedy the unfavourable outcome. The service acknowledges that in prioritising key functions of delivery in terms of facilitating tuition, examinations and extracurricular activities, that some aspects of the key administrative processes have been neglected.

Following the publishing of the audit report all Gwent Music staff were furloughed in April 2020 which has resulted in timescales agreed in the original audit action plan requiring to be revised. Four members of the Gwent Music staff returned to work in September 2020 to reopen the service which has included developing covid-safe approaches to music tuition and to progress management actions detailed in the audit plan. Tutors returned part-time in October 2020 to receive training on the risk assessment work required to take place with schools to generate blended learning approaches to music tuition and, again, to support actions detailed in the audit report. All contracted Gwent Music staff are due to return to work full time in November 2020. Some original timescales and management actions detailed in the audit plan have been revised to reflect the current working situation in Gwent Music and to account for the entire

service being furloughed from April to September 2020. Revised deadlines are underlined in the following action plan.

The date of the last audit was November 2011, and since that time the music service has undergone fundamental change in both level of funding, structure, and key operational functions. In line with the audit findings we are now thoroughly re-evaluating the processes and key tasks.

Prior to the furloughing of the service, the intention had been to complete a thorough stock take of both the instrumental stock and all other assets listed on the asset register.

The last instrument stock take was completed in September 2017 - April 2018. However, this was not communicated to the audit team and is therefore not referenced on the final audit report.

In answer to the Audit Committee's question regarding why there is no tracing of assets as for musical instruments:

- The 'Asset Register' (Access database) held by Gwent Music, was previously used as the main source of logging all entries both musical instruments and other items when purchased, and prior to them being allocated to individual tutors/ pupils. Following the findings of the audit, it has been established that it had not regularly been updated since June 2014.
- The service acknowledges that this was in part due to a lack of oversight of key role responsibilities that should have been identified in employee appraisals; regular KPI reports are now being generated to ensure that this is addressed.

Musical Instruments

In 2016, all musical instruments were transferred to our centrally managed system 'Paritor'. This was in order that individual musical instruments, regularly on loan or hire to schools and pupils could be linked to individual locations, pupil and payer details held in Paritor.

A full stocktake was started prior to furlough of staff in April 2020 and has recommenced this term as staff returned to work. The stocktake will continue as tuition resumes in November 2020 and restrictions in accessing schools and other buildings are lifted. It is on course to be completed by January 2021.

A cross check of the Asset Register against musical instruments logged on Paritor has now been completed, and work commenced on rationalising the process on recording assets. We have identified 4,906 instruments have been correctly logged on Paritor and have been de-duplicated.

Office Equipment, & Sheet Music

Equipment such as office furniture, IT equipment, and sheet music stored at Gwent Music offices was not transferred to Paritor in 2016 on the basis that these items were not relocated on a regular basis.

To address this concern, the 1434 non-musical instrument items, including sheet music, will be stock checked against the Asset Register after the 'fire-break' restrictions are lifted and updated on the asset register. Once that has been completed, they will be transferred to Paritor. Any new purchases of instruments from 2016 have been added directly to Paritor as part of the instrument loan procedure.

GWENT MUSIC SUPPORT SERVICE (2019/20) – EXTRACT FROM ACTION PLAN

Ref.	Weakness & Risk	Agreed Management Action	By When	Current Status (November 2020)
1.04	<p>A copy of the Support Agreement with Paritor was not held by Gwent Music. There was no formal contract in place for the use of the system. The Terms & Conditions of use, which were subsequently received, had not been updated to reflect changes to the Data Protection Act 2018 or the GDPR.</p> <p><i>Disagreements or unavailability of the service may not be resolved without a contract being in place. The annual fee payable could not be confirmed. Non-compliance with the Data Protection Act could lead the Authority open to fines from the Information Commissioner's Office.</i></p>	<p>Contact Paritor to put a plan in place to resolve.</p> <p>Source draft contract from Paritor.</p> <p>Ask Information Management, Corporate Procurement and Legal to review and feedback.</p> <p>Negotiate with Paritor – email sent to Paritor 22/10/20</p> <p>New agreement to be in place.</p>	<p>09/01/2020</p> <p>10/01/2020</p> <p>15/01/2020</p> <p>30/04/2020</p> <p><u>6/11/2020</u></p>	<p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Reviewed with Legal, Procurement and Info Mgt. Consolidated change requests sent to Paritor 22/10/2020.</p>
1.05	<p>Access to the admin areas of the Paritor system was not restricted to authorised personnel and access had also been provided to a 3rd party.</p> <p><i>Unauthorised persons could access and amend data. Non-compliance with the Data Protection Act could lead the Authority open to fines from the Information Commissioners Office.</i></p>	<p>Disable 3rd party account.</p> <p>Disable duplicate accounts.</p> <p>Agree access levels to be set up.</p> <p>Set up and allocate users.</p> <p>Trial and verify.</p>	<p>09/01/2020</p> <p>15/01/2020</p> <p>13/01/2020</p> <p>17/01/2020</p> <p>24/01/2020</p>	<p>Completed</p>

GWENT MUSIC SUPPORT SERVICE (2019/20) – EXTRACT FROM ACTION PLAN

Ref.	Weakness & Risk	Agreed Management Action	By When	Current Status (November 2020)
1.06	<p>Signed service level agreements (SLAs) / evidence of agreement was not always held for non-parent billed schools.</p> <p><i>The legal basis for charging not being held could result in non-payment or services provided which were not agreed causing a dispute. Loss of income.</i></p>	<p>Ensure Paritor record for each SLA school has a Head-teacher email address.</p> <p>Ensure email notifications of proposed SLA are sent to Head-teachers as well as other school contact emails.</p> <p>Where no agreement has been received within 30 days of sending the first email, a reminder will be sent, stating clearly that if no response is received the proposed SLA will be assumed to be agreed. Ensure the Head-teacher receives at least two email notifications.</p>	<p>30/03/2020</p> <p><u>30/11/2020</u></p> <p><u>21/12/2020</u></p>	<p>13/10/20 Completed- ongoing process in place for checking contacts with each LA annually</p> <p>Due to the service being furloughed, SLAs for this half term are now being completed using this process. The normal timeline is inconsistent due to furlough.</p> <p>No SLAs will commence for this half term unless returned email form HT received. Normal practice will be resumed for 2021.</p>

GWENT MUSIC SUPPORT SERVICE (2019/20) – EXTRACT FROM ACTION PLAN

Ref.	Weakness & Risk	Agreed Management Action	By When	Current Status (November 2020)
1.07	Application forms and evidence of obtaining quotations was not always present for the sample of purchases examined which had been made via the Instrument Purchase Scheme. Purchase orders were sometimes raised after invoices had been received.	Add a new form to the Paritor pupil record which documents step-by-step process for authorising and processing instruments under the Assisted Instrument Purchase Scheme (AIPS). Train team to complete details.	30/09/20	Completed
	<i>Non-compliance with Contract Standing Orders. The budget holder may be unaware of the commitments made where purchase orders are not raised in advance.</i>	Perform monthly review of AIPS payments made in the month to check details are completed and correspondence saved on the pupil record.	<u>06/11/2020</u>	Completed for 2019-20. AIPS scheme not currently operating.
		Develop on-line form to replace the paper AIPS form.	28/02/2020	Completed – However, AIPS scheme not currently operating.
1.08	Not all members of Gwent Music staff have attended Information Security or Financial Regulations training courses.	<u>Information Security</u>		
	<i>Staff may be unaware of the requirements of the policies which could result in poor or ineffective administration.</i>	Arrange training for all Gwent Music contracted staff team	31/01/2020	Completed 12/02/2020 - Delivered to 8 out of 9 staff on 12/02/2020. 06/01/2021 re-booked for whole team.
		<u>Financial Regulations</u>		
		Admin and managers booked on training to be delivered on 19/03/2020.	19/03/2020 <u>17/11/20</u>	Cancelled due to furlough Rebooked
		Add fields to Paritor staff records to record training delivery and add to weekly management review.	30/01/2020	Completed

GWENT MUSIC SUPPORT SERVICE (2019/20) – EXTRACT FROM ACTION PLAN

Ref.	Weakness & Risk	Agreed Management Action	By When	Current Status (November 2020)
1.09	<p>No cross check was completed to the Free School Meal (FSM) database to ensure eligibility for the Music Access Fund (MAF).</p> <p><i>Eligibility for the Music Access Fund cannot be confirmed. Non-FSM pupils may be accessing funding that they are not entitled to.</i></p>	Contact Benefits Team to discuss / arrange access to NCC database for verification.	15/01/2020	Completed
		Email a report of current MAF pupils to each school asking for verification.	31/03/2020	Report tested with one school. As all pupils are re-enrolling there are no pre-existing pupils to report on. This will next be relevant before invoicing for Spring tuition in Dec 2020.
		Contact Monmouthshire County Council (MCC) and Torfaen County Borough Council (TCBC) to establish equivalent access.	<u>23/10/20</u>	TCBC contact responsible for MCC/TCBC shared service. Redrafting parent T&Cs to resolve Privacy Policy issues. Not yet resolved.
1.10	<p>Financial contributions from the Gwent Local Authorities were not made on a consistent basis to the Music Access Fund. Where a Local Authority had over/underspent on their contribution this was not recovered/repaid.</p> <p><i>Additional budget pressures.</i></p>	Review year to date position each month as part of monthly forecast review.	15/02/2020 / monthly thereafter	Completed
		Report financial year out-turn to directors annually.	<u>6/11/20</u>	On target for completion

GWENT MUSIC SUPPORT SERVICE (2019/20) – EXTRACT FROM ACTION PLAN

Ref.	Weakness & Risk	Agreed Management Action	By When	Current Status (November 2020)
2.02	<p>There was no documented approval process / agreement of the Gwent Music Fees & Charges.</p> <p><i>Charges to parents / schools may not be formally agreed. No basis for charging.</i></p>	<p>Submit proposed charges for 2020/21 academic year to the Finance Business Partner to be included in the budget approval process.</p> <p>Refer to Cabinet Member for approval.</p>	<p><u>30/11/20</u></p>	<p>Agreed with regional Directors. Due to be presented to the Cabinet Member in November 2020</p>

GWENT MUSIC SUPPORT SERVICE (2019/20) – EXTRACT FROM ACTION PLAN

Ref.	Weakness & Risk	Agreed Management Action	By When	Current Status (November 2020)
2.03	<p>Gwent Music had a high level of 'Unauthorised' debt relating to tuition previously provided. Income due / debts had not been collected in a timely manner, nor had tuition been stopped for non-payment.</p> <p><i>Loss of income. Costs of providing tuition are not recovered. Adverse effect on the budget.</i></p>	Set up daily reporting of debt, identifying accounts for action.	17/09/2019	Completed
		A new procedure has been introduced where no tuition will be allowed to start until payment has been received. Pupils receiving lessons are now invoiced 30 days before lessons start.	Done from 17/09/2019	Completed – ongoing process
		Call, text and send personalised emails to top debtors with pupils still receiving tuition.	Done from 17/09/2019	Completed – ongoing process
		Review all Debt Allowances more than 40 days old weekly.	Done from 08/10/2019	Completed – ongoing process
		Finish tuition for non-payers and pass debt to NCC Debtors.	Done from 21/10/2019	Completed – ongoing process
		Send weekly past-due invoice chase emails from Paritor.	Done from 19/11/2019	Completed – ongoing process
		Give notice to debtors without tuition that debt will be passed to NCC Corporate Debtors Team.	Done from 12/12/2019	Completed – ongoing process
		Review disputed outstanding invoices weekly.	24/01/2020	Completed – ongoing process
Complete passing debtors without tuition to NCC Debtors.	28/02/2020	<p><u>02/11/20</u> All pre-Sep unauthorised debt will be with NCC Debtors by beginning of November</p>		

GWENT MUSIC SUPPORT SERVICE (2019/20) – EXTRACT FROM ACTION PLAN

Ref.	Weakness & Risk	Agreed Management Action	By When	Current Status (November 2020)
2.04	<p>Schools were not being invoiced for their SLA charges on a regular basis. There was a high amount of non-invoiced debt.</p> <p><i>Potential loss of income. Negative impact on budget. Allegations of favouritism / bias where debts are not collected on a consistent basis.</i></p>	<p>Raise all invoices for the backlog of AY 2018-19.</p> <p>Raise invoices for Autumn 2019.</p> <p>Send Spring 2020 billing advices.</p> <p>Raise all invoices for Spring 2020.</p> <p>Monitor completion of key milestones for future terms:</p> <ol style="list-style-type: none"> 1. Issue billing advices by end Sep, Jan, May. 2. Issue invoices by end Oct, Feb, Jun. 	<p>31/01/2020</p> <p>31/01/2020</p> <p>31/01/2020</p> <p>28/02/2020 <u>06/11/20</u></p> <p>31/01/2020</p>	<p>Completed</p> <p>Completed – ongoing process</p> <p>Completed – ongoing process</p> <p>Awaiting purchase order for one only</p> <p>Completed – ongoing process</p>

GWENT MUSIC SUPPORT SERVICE (2019/20) – EXTRACT FROM ACTION PLAN

Ref.	Weakness & Risk	Agreed Management Action	By When	Current Status (November 2020)
3.02	<p>An up-to-date inventory of assets was not in place detailing all items held at Gwent Music Headquarters or other locations. Assets held in the storage unit were not insured.</p> <p><i>No comprehensive list of assets held for insurance purposes in the event of fire, flood and theft. Increased risk of theft / loss of items going undetected. Non-compliance with Financial Regulations. Where no insurance is in place, items may not be replaced.</i></p>	<p>Transfer assets from the Access database to Paritor (instrument were transferred in July 2016 and maintained on Paritor since).</p> <p>Conduct annual stock take of assets held at Gwent Music and evidence check.</p> <p>Identify and activate appropriate level of insurance cover based on location and usage of assets</p> <p>Use V5 of Paritor to scan in / out instruments and automatically update the records.</p>	<p><u>31/12/20</u></p> <p><u>18/12/20</u></p> <p><u>30/11/20</u></p>	<p>Non-musical instrument assets being stock checked against the Access database and an updated register created.</p> <p>This will be uploaded to Paritor when confirmed and accurate. Stocktake at East Bank, Gwent Music HQ and Caerleon Comprehensive bases complete. Others scheduled. Parents holding loan instruments emailed 20/10/2020.</p> <p>Updated list of all assets being stored at GM HQ and East bank Road have been provided to NCC for insurance quote. Awaiting response to underwriting due to constant movement of assets between locations.</p> <p>V5 has not yet been launched by Paritor Testing commenced 24/02/2020 Paritor unable to start migration until 01/11/2020 earliest.</p>

GWENT MUSIC SUPPORT SERVICE (2019/20) – EXTRACT FROM ACTION PLAN

Ref.	Weakness & Risk	Agreed Management Action	By When	Current Status (November 2020)
3.03	<p>The access arrangements to Gwent Music HQ were not secure and the signing in / out record was not being completed.</p> <p><i>Increased risk of theft of assets. Where no signing in / out records are held there would be no record in the case of fire as to who was in the building.</i></p>	<p>Repair the front door so that the access control is operational.</p> <p>Reposition the gate and door controls to be co-located.</p> <p>Repair fire-proof curtain on reception window.</p> <p>Arrange support team staffing so that the gate and door entry phones are manned during published opening hours.</p> <p>Evaluate iPad based signing in system as used in schools as an alternative to paper-based sign in. If we continue with paper-based records ensure these are fully completed.</p> <p>Arrange admin staffing so that the check-in process is monitored during opening hours.</p>	<p>16/01/2020</p> <p>28/02/2020</p> <p>28/02/2020</p> <p>28/02/2020</p> <p>28/02/2020</p> <p>28/02/2020</p>	<p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed- agreed with Audit team that paper sign in sufficient</p> <p>Will resume once HQ open for access again</p>

GWENT MUSIC SUPPORT SERVICE (2019/20) – EXTRACT FROM ACTION PLAN

Ref.	Weakness & Risk	Agreed Management Action	By When	Current Status (November 2020)
3.04	<p>The service had long term hire arrangements in place for the storage of musical instruments despite there being areas of Gwent Music HQ not being fully utilised.</p> <p><i>The service may not be obtaining value for money with long term hire arrangements where cheaper / free of charge alternatives could be used.</i></p>	The container is now surplus to requirements and will be vacated and the contract terminated.	28/02/2020	Completed Cabin contract cancelled 09/09/20. Cabin emptied 11/09/20. Cabin collected 17/09/20
		East Bank Road at capacity, requires stock take.	31/08/2020	Completed 18/09/20 Stock take completed and storage rationalised
		Transfer keys to a new locked location with keys held only by Business Support Team.	15/01/2020	Completed
3.05	<p>There was a lack of control surrounding the Instrument Loan Scheme, namely; (a-i below)</p> <p><i>Non-compliance with Financial Regulations.</i></p>	Remedial actions are listed below against 3.05 (a) to (i)		
		<p>On-going management controls will be instigated to monitor the KPIs listed below. This will be reviewed by the SLT monthly to measure and manage progress towards achieving and accurate database:</p> <p>Conduct annual stock checks of all stock locations.</p>	<p>15/02/2020</p> <p><u>18/12/20</u></p>	<p>Completed – ongoing</p> <p>In progress for this year</p>

GWENT MUSIC SUPPORT SERVICE (2019/20) – EXTRACT FROM ACTION PLAN

Ref.	Weakness & Risk	Agreed Management Action	By When	Current Status (November 2020)
3.05 (a)	<p>The Instrument Loan database had a high number of outstanding loans dating back to 2006 (13 years).</p> <p><i>Assets may not be held by the person listed and prevents it from being allocated to a current pupil. Increased risk of theft / loss of assets.</i></p>	<p>Ensure that Instrument Loan Database is maintained by regularly completing the following KPI actions:</p> <ol style="list-style-type: none"> 1. Contact all parents with live loan to confirm continuation if within approved loan period 2. Terminate any loans accordingly 3. Update the database to reflect current status as informed by parent responses. 4. If not confirmed within 30 days from date of email, update record in preparation for write off subject to Head of Service Approval. 	<p>18/12/20</p> <p><u>31/01/21</u></p> <p><u>18/12/20</u></p> <p><u>18/12/20</u></p>	<p>In progress, for completion by end of term</p> <p>Completed – 22/10/20</p> <p>In progress</p> <p>In progress</p> <p>In progress</p>
3.05 (b)	<p>Pupils no longer on roll at schools within Newport were identified as having an instrument with an outstanding loan.</p> <p><i>Assets may not be held by the person listed and prevents it from being allocated to a current pupil. Increased risk of theft / loss of assets.</i></p>			

GWENT MUSIC SUPPORT SERVICE (2019/20) – EXTRACT FROM ACTION PLAN

Ref.	Weakness & Risk	Agreed Management Action	By When	Current Status (November 2020)
3.05 (c)	<p>The Instrument Loan database did not contain all required information, with some information missing.</p> <p><i>Increased risk of theft of assets. Assets may not be recovered if lost / stolen. Incomplete information held.</i></p>	<p>Reports generated for each scenario identified, tutors contacted to provide missing details.</p> <ol style="list-style-type: none"> 1. Instrument details missing 2. No Gwent Music ID ref 3. No school recorded 4. No parent details 5. No tutor name 6. Instruments held by university students 7. Instruments held by primary school pupils who are in year 7 and higher 	<u>18/12/20</u>	<p>Being progressed</p> <p>Delay in commencing due to furlough of service.</p> <p>In progress In processing email responses from parents as per 3.05(a) data is being updated, instruments returned or marked as location 'unknown'. Tuition is due to commence 2/11/20 which will enable more contact with parents and tutors to accelerate progress, and update records as necessary.</p>
3.05 (d)	<p>Instrument loans had been made to pupils no longer receiving tuition i.e. some were at university. According to the database these remained outstanding.</p> <p><i>Assets may not be held by the person listed and prevented from being allocated to a current pupil. Increased risk of theft / loss.</i></p>	<p>See 3.05 (c)</p> <ol style="list-style-type: none"> 6. Instruments held by university students 	<u>18/12/20</u>	<p>In progress, emails sent to all live loans with students now at university, followed up with phone call if no response. All responses updated on Paritor in readiness for next stage of stock take.</p>

GWENT MUSIC SUPPORT SERVICE (2019/20) – EXTRACT FROM ACTION PLAN

Ref.	Weakness & Risk	Agreed Management Action	By When	Current Status (November 2020)
3.05 (e)	<p>The database was not updated to reflect pupils moving from primary to secondary schools.</p> <p><i>Assets may not be held by the person listed and prevented from being allocated to a current pupil. Increased risk of theft of assets. Out of date information is held on the database.</i></p>	<p>See 3.05 (c)</p> <p>7. Instruments held by primary school pupils who are in year 7 and higher</p>	18/12/20	<p>See 3.05 (c)</p> <p>In progress, parents emailed as per 3.05(a) pupil data updated in line with school transition lists. Tuition commencing 02/11/20 will enable confirmation with schools on pupils transferring from primary to secondary and updates made</p>
3.05 (f)	<p>Instrument loans were not being reviewed on a periodic / regular basis.</p> <p><i>Assets may not be held by the person listed and prevented from being allocated to a current pupil. Increased risk of theft / loss of assets going undetected.</i></p>	<p>Issue termly report to tutors of loans to:</p> <ol style="list-style-type: none"> 1. tutors, 2. their pupils 3. schools they teach in 4. centres they staff <p>Request feedback confirming or correcting details and update database accordingly.</p> <p>Record the date instrument loan and location was last checked on Paritor.</p>	<p>30/03/2020</p> <p>5/01/2020</p>	<p>Completed</p> <p>Completed – ongoing process</p> <p>Due to furlough this process has been suspended, will be reinstated once tuition resumes</p>
3.05 (g)	<p>The database was not up-to-date and instrument loans issued during the previous 15 months had not been input.</p> <p><i>Assets may not be held by the person listed and prevented from being allocated to a current pupil. Increased risk of theft of assets.</i></p>	<p>Process the backlog of instrument loan forms held in the office.</p> <p>See also 3.06</p>	30/11/2019	Completed

GWENT MUSIC SUPPORT SERVICE (2019/20) – EXTRACT FROM ACTION PLAN

Ref.	Weakness & Risk	Agreed Management Action	By When	Current Status (November 2020)
3.05 (h)	<p>The total number, overall value and location of musical instruments held / owned by the service could not be confirmed.</p> <p><i>The whereabouts of assets is not known. Assets may not be held by the person listed and prevented from being allocated to a current pupil. Increased risk of theft / loss of assets going undetected.</i></p>	Produce report from Paritor once 3.05 actions are completed.	<u>18/12/20</u>	<p>In progress for completion. Value of instruments in any location can be reported once location confirmed, already completed for GM HQ, and East Bank Road facility for insurance quote as per 3.02</p> <p>Once all locations have been checked full report for any location will be available</p>
3.05 (i)	<p>Deposits or charges for the hire of musical instruments were not made.</p> <p><i>Impact on the service area budget where instruments are not returned / returned damaged and have to be replaced. Loss of potential income.</i></p>	Review the feasibility of re-trialling invoicing for instrument loan.	<u>30/3/21</u>	Due to COVID, schools have not yet resumed lessons fully, and pupil numbers due to financial hardship are very low.
3.06	<p>Where musical instruments are loaned / used by tutors there was no signing in / out procedure to ensure the assets were accounted for.</p> <p><i>Increased risk of theft / misappropriation of assets.</i></p>	<p>Provide a sign in/out sheet in the general office.</p> <p>Instruct all tutors to log instrument movements on the sheets, or request a member of the support team to log the movements on Paritor in real time.</p> <p>Support team will transfer all movements from the log sheet to Paritor daily.</p>	<p>10/01/2020</p> <p>10/01/2020</p> <p>10/01/2020</p>	<p>Completed- ongoing once normal service resumes</p> <p>Completed- ongoing once normal service resumes</p> <p>Completed- ongoing once normal service resumes</p>

Report

Audit Committee

Part 1

Date: 25 March 2021

Item No: 5

Subject **Quarter 3 2020/21 Corporate Risk Register Update**

Purpose To present an update of the Corporate Risk Register for the end of quarter 3 (31st December 2020).

Author Head of People and Business Change

Ward All

Summary The Council's Corporate Risk Register monitors those risks that may prevent the Council from achieving its Corporate Plan or delivering services to its communities and service users in Newport.

At the end of quarter 3, the Council had 52 risks across its eight service areas. Eighteen of the 52 risks were recorded in the Council's Corporate Risk Register and considered to have a significant impact on the achievement of the Council's objectives and statutory obligations. At the end of quarter three, there were no new or escalated risks from service area risk registers; and one risk was closed. Overall, there were 10 Severe risks (risk scores 15 to 25); 6 Major risks (risk scores 7 to 14) and 2 Moderate risks (risk scores 4 to 6) that are outlined in the report.

The role of Audit Committee is to review and monitor the corporate governance and risk management arrangements in place, with comments and recommendations of the Committee on risk process considered by Cabinet.

Proposal Audit Committee is asked to consider the contents of this report and assess the risk management arrangements for the Authority, providing any additional commentary and/or recommendations to Cabinet.

Action by Corporate Management Team and Heads of Service

Timetable Immediate

This report was prepared after consultation with:

- 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 Policy 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. In July 2020 the new Risk Management Policy for 2020-22 was approved by the leader of the Council. This policy is attached as part of the background papers of this report for reference.

As outlined by the terms of reference in the Council's Constitution, the Audit Committee is required to review and monitor the corporate governance and risk management arrangements in place, with comments and recommendations of the Committee on risk process considered by Cabinet.

In February 2021, the Local Government and Elections Bill received Royal Assent and will change the Council's Constitution in the role and responsibilities of the Audit Committee and the Council's Scrutiny Committees. We are still awaiting confirmation from Welsh Government that the requirements in the Act will not need to be implemented until 1st April 2022.

Covid-19 / Brexit, Newport City Council Response

Much like the quarter one period, during quarter two Newport City Council's continued to focus on supporting front-line services, protecting lives and minimising the spread of Covid-19. As part of the Council's Civil Contingencies arrangements, the Council's Gold Command group consisting of Heads of Service and Chief Executive to monitor the situation; and to manage emerging operational / community risks. This group also links into the wider Strategic Coordination Group and Welsh Government structures and these arrangements remain in place at the time of this report.

Similarly, the Council has continued to monitor the situation in the Brexit Trade negotiations between the UK Government and European Union. The Brexit risk score presented in this report reflects the position at the time (31st December 2020).

Risk Management Process

In Newport City Council risks that may prevent or impact on the delivery of our services is continuously monitored and managed at all levels of the organisation. The following diagram below summarises how risks are continuously managed in Newport City Council.

There are many different sources of risks, such as civil contingencies, health & safety, service delivery and projects throughout the organisation where risks to the delivery of the Corporate Plan, or services might be identified and included on the Council's risk register. New risks identified to be included on the register have to be assessed and evaluated to determine their risk scores (Inherent / Residual / Target), existing controls that are in place and where further mitigating controls are required to respond and reduce the overall impact of the risk to the Council. To assess risk scores Newport City Council uses a standard 5x5 matrix that is commonly adopted across Welsh authorities. English local authorities report shows a heat map of the corporate risks using this matrix.



All risks identified have to be initially agreed by the Head of Service. If the residual risk score is 15 or above or if the Head of Service considers the risk to have an impact on the delivery of services / achievement of objectives in Council, it is escalated to the Council's Corporate Management Team (CMT) to determine whether it is included on the Council's Corporate Risk Register or if the risk should be managed by the relevant service area(s).

All risks are recorded in the Council's 'Management Information Hub'. Every quarter, risk owners, and risk action owners are required to assess and provide an update on the risk score and mitigating actions in place. Any risk that has escalated to 15 or above is automatically escalated and requires the Directors team to consider whether it should be included on the Corporate risk register or if they are satisfied that the responsible owner and mitigating actions are effective to be managed within the service area / team.

As risk mitigating actions are completed and the risk is reduced to meet the target risk score, an assessment will be undertaken by the risk owner to determine whether the risk is closed and if the risk mitigation actions have been sufficient to mitigate the overall risk. For risks on the Corporate Risk Register this responsibility would fall onto the Risk Owner and CMT to determine if the risk can be closed.

Quarter three risk update

Service areas' have aligned the objectives and actions in the 2020/21 service plans with the [Council's Strategic Recovery Aims](#). Service areas also continue to consider any new and/or emerging risks that are impacting on the delivery of their services.

At the end of quarter three (to 31st December 2020), service areas had recorded 52 risks (including Corporate Risks) recorded in their risk registers. Four risks (Three Service and one Corporate Risk) were closed.

Service Area	Q3 Risks	Risk Scores Increased since Q2	Risk Scores Decreased since Q2	No Change since Q2	New Risks (Since Q2)	Closed Risks (Since Q2)
Adult & Community Service	3	0	0	3	0	0
Children & Young People Service	4	1	1	2	0	0
City Services	7	0	1	6	0	0
Education	8	3	4	1	0	2
Finance	7	0	0	7	0	0
Law & Regulation	3	0	0	3	0	0
People & Business Change	12	2	2	8	0	0
Regeneration, Investment & Housing	8	2	1	5	0	2

Service Area	Q3 Risks	Risk Scores Increased since Q2	Risk Scores Decreased since Q2	No Change since Q2	New Risks (Since Q2)	Closed Risks (Since Q2)
Total	52	8	9	35	0	4

Closed Service Area Risks

Three out of four risks closed at the end of quarter three were service area risks and summary is provided below:

Service Area	Risk	Risk Description	Risk Score (as at Q3 20/21)	Target Risk Score	Commentary
Education	Healthy Schools Grant Funding	Reduction in grant funding for Healthy Schools.	4	4	This risk achieved its target risk score and is being managed as part of business as usual.
	New Welsh Medium Primary School	Complete the establishment of a new Welsh Medium Primary School	1	6	The risk has achieved its target risk score and the school is on track now to open in September 2021 and final preparations are in progress.
Regeneration Investment & Housing	Norse Joint Venture Risk	Effective management of Norse Joint Venture is not in place to help support delivery of service.	6	6	This risk has achieved its target risk score and governance arrangements / monitoring of performance is taking place.

Corporate Risk Register Update (Quarter 3)

The role of the Corporate Management Team (CMT) is to determine whether the risk should be included on the Corporate Risk Register for monitoring or if the risk should remain in the service area(s) as a result of sufficient management action being undertaken to manage the overall risk.

Of the 52 risks, there are 18 risks that are recorded and monitored in the corporate risk register. Thirteen risks did not change score between quarter 2 and quarter 3. Two risk scores had increased and three risk scores had decreased. There was also one corporate risk closed since quarter two. These risks are:

- COVID-19 Pandemic Outbreak (Cross-cutting, led by People & Business Change)
- Stability of Social Services Providers (Adult & Community Services)
- Highways Network (City Services)
- Educational Out of County Placements (Education Services)
- Pressure on Adult & Community Services (Adult & Community Services)
- Ash Die Back Disease (City Services)
- Pressure on the delivery of Children Services (Children & Young People Services)
- Demand for Additional Learning Needs (ALN) and Special Educational Needs (SEN) support (Education Services)
- Balancing the Council's Medium Term budget (Finance Services)
- Schools Finance / Cost Pressures (Education Services / Finance Services)
- Cyber Security (People & Business Change)
- Pressure on Housing & Homelessness Service (Regeneration, Investment & Housing)
- Brexit – Trade Agreement (Cross Cutting, led by People & Business Change)
- City Centre Security and Safety (City Services / People & Business Change)

- In year financial management (Finance Services)
- Climate Change (Cross Cutting, led by Regeneration, Investment & Housing)
- Newport Council's Property Estate (Regeneration, Investment & Housing)
- Safeguarding (Cross Cutting, led by Children & Young People Services).

Closed Corporate Risk – Pressure on Housing Risk

At the end of quarter two, Regeneration Investment and Housing undertook a review of two Corporate Risks: Pressure on Housing Service; and Pressure on Homelessness Services. The service area proposed that the two risks were merged to reflect due to the close links between both areas and the impact that each other has on the overall service delivery. A proposal was taken to the Council's Corporate Management Team in December 2020 where it was agreed to merge the risks.

Change in direction of risk score (Quarter Three)

Risk	Service Area	Q2 Risk Score	Q3 Risk Score	Commentary
Demand for ALN and SEN provision	Education	12	16	During the Sept-Dec period 139 Formal Assessment requests were received. This increase has caused a pressure on Inclusion services. There is a growing number of pupils with complex needs entering our Schools, due to the pandemic some of these pupils did not access nursery or reception which has further delayed their progress. Due to the lack of capacity in the Inclusion service there is a very limited amount of preventative work offered to Schools. The Special Schools and the majority of primary Learning Resource Bases are at capacity. The ALN Implementation group will reconvene in the spring to review SEN funding to Schools.
Newport Council's Property Estate	Regeneration Investment & Housing	8	12	Increased probability of risk due to having undertaken the majority of condition surveys throughout NCCs operational estate.
Brexit	PBC	16	12	The risk score for Brexit has reduced from 16 to 12 reflecting the fact that the UK Government and EU agreed a tariff free trade deal. However, there remains risks in relation to the post Brexit arrangements and ensuring EU citizens living in the UK apply for EU Settled Status by 30 th June. Additionally, the economy remains in a precarious position due to Covid and new trade arrangements which could impact on short to medium term stability of business, labour market and consumer confidence from 2021 onwards.
Education Out of County Placements	Education	12	9	The Out of County budget and placements are very carefully monitored on a monthly basis. Additional local placements have been commissioned from Newport Live and Catch 22. Plans are being developed to expand Ysgol Bryn Derw to provide additional Foundation Phase placements.
Schools Finance / Cost Pressures	Education	16	12	Total sector budgets are now £2 million pounds in surplus due to schools being closed for prolonged periods of time. However without careful budget management school are still at risk of developing deficit positions. The total number of schools in deficit remains the same.

Appendix 2 of this report is the Council's Corporate Risk Register.

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

Corporate Plan 2017-22
Strategic Recovery Aims
Service Plans 2020/21

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 this report and assessment of the risk management arrangements for the Authority, providing any additional commentary and/or recommendations to Cabinet.
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. Risks that result in financial pressures will be reflected in established ongoing monitoring and MTFP arrangements.

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 and also provides assurance over our control and governance arrangements in the Council. As the report has highlighted, Covid 19 has had a significant impact on the delivery of Council services which have been managed through the Council's business continuity arrangements. As the Council is

moving towards recovery and operating in a 'new normal' emerging opportunities and risks will have an impact on how we deliver services both in the short and long term. Having an effective risk management system and culture will be important for the Council's Cabinet and senior officers to make evidence based decisions.

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.

This quarter three Corporate Risk Register was reported to the Council's Cabinet on 10th March 2021.

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

Under the Wellbeing of Future Generations Act (Wales) 2015 and its 5 ways of working principles this report supports:

Long Term – Having effective risk management arrangements will ensure that the opportunities and risks that will emerge consider the long term impact on service users and communities.

Preventative – Identifying opportunities and risks will ensure the Council is able to implement necessary mitigations to prevent or minimise their impact on Council services and service users.

Collaborative – The management of risk is undertaken throughout the Council and officers collaborate together within service areas, Corporate Management Team and the Council's Cabinet to ensure decisions are made in a timely manner and are evidence based.

Involvement – The Council's Risk Management process involves officers across the Council's service areas and Cabinet Members.

Integration – Risk Management is being integrated throughout the Council and supports the integrated Planning, Performance and Risk Management Framework. The Framework ensures that planning activities consider the opportunities and risks to their implementation and overall supports the delivery of the Council's Corporate Plan and legislative duties.

Crime and Disorder Act 1998

Not applicable.

Consultation

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

Background Papers

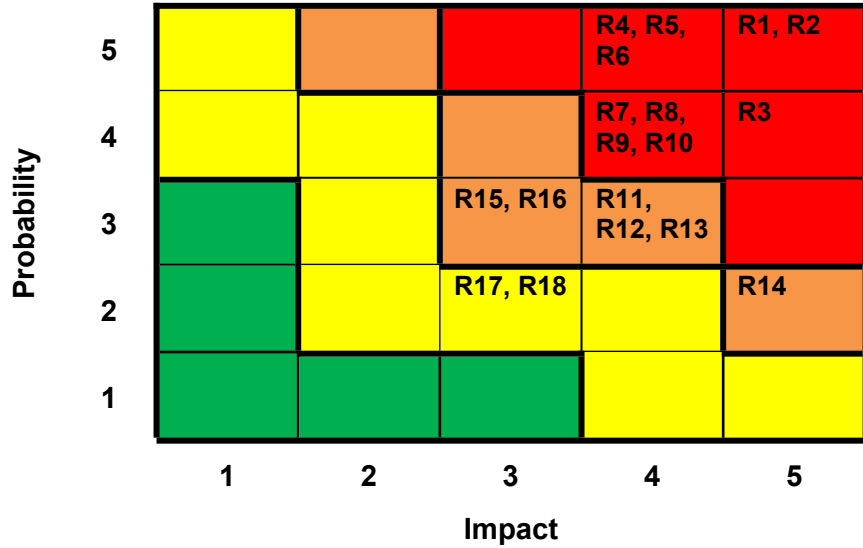
Risk Management Policy 2020-22 v1

Q3 Risk Cabinet Report, March 2021

Covid Strategic Recovery Aims

Dated: 16th March 2021

Appendix 1 - Quarter 3 Corporate Risk Heat Map



Corporate Risk Heat Map Key (Quarter 3 2020/21)	
R1 – Covid-19 Outbreak	R10 – Demand for ALN and SEN support
R2 – Stability of Social Services Providers	R11 – Schools Finance / Cost Pressures
R3 – Highways Network	R12 – Brexit & Trade Agreement
R4 – Pressure on Adult & Community Services	R13 – Newport Council’s Property Estate
R5 – Ash Die Back Disease	R14 - City Centre Security and Safety
R6 – Pressure on the delivery of Children Services	R15 – Educational Out of County Placements
R7 – Balancing the Council’s Medium Term Budget	R16 – Climate Change
R8 – Cyber Security	R17 - In year financial management
R9 – Pressure on Housing & Homelessness Service	R18 – Safeguarding

Risk Score Profile between Quarter 4 2019/20 and Quarter 3 2020/21

* Information on Cabinet portfolios added to the report to improve alignment with portfolios.

Risk Reference	Risk	Lead Cabinet Member(s) *	Risk Score Quarter 4 2019/20	Risk Score Quarter 1 2020/21	Risk Score Quarter 2 2020/21	(Current) Quarter 3 2020/21	Target Risk Score
R1	COVID-19 Pandemic Outbreak	Leader of the Council /Cabinet	20	25	25	25	6
R2	Stability of Social Services Providers	Cabinet Member for Social Services	25	25	25	25	6
R3	Highways Network	Deputy Leader and Cabinet Member for City Services and Member Development	20	20	20	20	9
R4	Pressure on Adult & Community Services	Cabinet Member for Social Services	16	20	20	20	10
R5	Ash Die Back Disease	Deputy Leader & Cabinet Member for City Services & Member Development	-	20	20	20	6
R6	Pressure on the delivery of Children Services	Cabinet Member for Social Services	16	20	20	20	6
R7	Balancing the Council's Medium Term budget	Leader of the Council / Cabinet	15	16	16	16	10
R8	Cyber Security	Cabinet Member for Community & Resources	12	16	16	16	10
R9	Pressure on Housing and Homelessness Service	Leader of the Council	12	16	16	16	6
R10	Demand for Additional Learning Needs and Special Education Needs support	Cabinet Member for Education and Skills	16	16	12	16	6

Risk Reference	Risk	Lead Cabinet Member(s) *	Risk Score Quarter 4 2019/20	Risk Score Quarter 1 2020/21	Risk Score Quarter 2 2020/21	(Current) Quarter 3 2020/21	Target Risk Score
R11	Schools Finance / Cost Pressures	Leader of the Council / Cabinet Member for Education and Skills	16	16	16	12	6
R12	Brexit & Trade Agreement	Leader of the Council / Cabinet	12	12	16	12	10
R13	Newport Council's Property Estate	Cabinet Member for Assets	12	8	8	12	9
R14	City Centre Security and Safety	Deputy Leader and Cabinet Member for City Services and Member Development	15	10	10	10	8
R15	Educational Out of County Placements	Cabinet Member for Education and Skills	16	16	12	9	5
R16	Climate Change	Cabinet Member for Sustainable Development	12	9	9	9	10
R17	In year financial management	Leader of the Council / Cabinet	3	9	6	6	6
R18	Safeguarding	Cabinet Member for Social Services	6	6	6	6	4

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

Score	Description	Impact Measures						
		Strategic / Policy	Operational / Business Continuity	Financial	Governance / Legal / Regulatory	Health & Safety	Reputational	Project Delivery / Savings / Benefits
5	Severe	Failure of a key strategic objective	Serious organisational / service failure that has direct impact on stakeholders including vulnerable groups. Service disruption over 5+ days.	<u>Corporate / Project</u> Unplanned and/or additional expenditure disturbance. Capital > £1M Revenue >£1M	Legislative / Regulatory breach resulting in multiple litigation / legal action taken on the Council (linked to Financial / Reputational Impacts).	Multiple major irreversible injuries or deaths of staff, students or members of public. (Linked to Financial / Reputational Impacts)	Severe and persistent National media coverage. Adverse central government response, involving (threat of) removal of delegated powers. Officer(s) and / or Members forced to Resign.	Project status is over 12 months from anticipated implementation date. Project(s) do not deliver the major benefits / savings identified in business case. This is linked to Financial / Strategic / Reputational Impacts
4	Major	Severe constraint on achievement of a key strategic objective	Loss of an important service(s) for a short period that could impact on stakeholders. Service disruption between 3-5 days.	<u>Corporate / Project</u> Unplanned and/or additional expenditure disturbance. Capital > £0.5M - £1.0M Revenue >£0.5M-£1M	Serious legislative breach resulting in intervention, sanctions and legal action. (Linked to Financial / Reputational Impacts)	Major irreversible injury or death of staff, student or member of public. (Linked to Financial / Reputational Impacts)	Adverse publicity in professional / municipal press, affecting perception / standing in professional /local government community Adverse local and social media publicity of a significant and persistent nature.	Project status is 6 to 12 months over from anticipated implementation date. Project(s) do not deliver major benefits / savings identified in business case. This is linked to Financial / Strategic / Reputational Impacts
3	Moderate	Noticeable constraint on achievement of a key	Loss and/or intermittent disruption	<u>Corporate / Project</u>	Significant legislative breach resulting in investigation.	Major reversible injury to staff, student or member of	Adverse local publicity /	Project status is 1 to 6 months over from

Score	Description	Impact Measures						
		Strategic / Policy	Operational / Business Continuity	Financial	Governance / Legal / Regulatory	Health & Safety	Reputational	Project Delivery / Savings / Benefits
		strategic objective / Service Plan objective.	of a service between 2-3 days.	Unplanned and/or additional expenditure disturbance. Capital = £0.25M - £0.5M Revenue = £0.25M to £0.5M Revenue = £0.25M to £0.5M	(Linked to Financial / Reputational Impacts)	public. Not life threatening. (Linked to Financial / Reputational Impacts)	local public opinion including social media. Statutory prosecution of a non-serious nature.	anticipated implementation date. There is significant reduction on delivery of benefits / savings identified in business case. This is linked to Financial / Strategic / Reputational impacts.
2	Low	Constraint on achievement of Service Plan objective that does not impact on Corporate Strategy	Brief disruption of service that has a minor impact on the delivery of a service. Service disruption 1 day.	<u>Corporate / Project</u> Unplanned and/or additional expenditure disturbance. Capital = £0.1M - £0.25M Revenue = £0.1M – £0.25M	Moderate impact leading to warning and recommendations.	Some minor reversible injuries. (Linked to Financial / Reputational Impacts)	Contained within Directorate Complaint from individual / small group, of arguable merit	Project status is 1 to 4 weeks over from anticipated implementation date. There is minor reduction on delivery of benefits / savings identified in business case. This is linked to Financial / Strategic / Reputational impacts.
1	Very Low	Constraint on achievement of Service / Team Plan objective	Minor disruption of a non-critical service.	<u>Corporate / Project</u> Unplanned and/or additional expenditure disturbance. Capital < £100k	No reprimand, sanction or legal action.	Some superficial injuries. (Linked to Financial / Reputational Impacts)	Isolated complaint(s) that are managed through the corporate complaints process and service area.	Project status is 1 week over from anticipated implementation date. There is insignificant / no impact on delivery of service.

Score	Description	Impact Measures						
		Strategic / Policy	Operational / Business Continuity	Financial	Governance / Legal / Regulatory	Health & Safety	Reputational	Project Delivery / Savings / Benefits
				Revenue <£100k		Reputational Impacts)		benefits / savings identified in business case. This is linked to Financial / Strategic / Reputational impacts.

Probability

Score	Probability	Criteria
5	Very likely 75% +	<p>Systematic Risks – Local evidence indicating very high probability of occurrence if no action / controls are in place. Risk is highly likely to occur daily, weekly, monthly, quarterly.</p> <p>Emerging Risks – National and Global evidence indicating very high probability of occurrence on local communities if no action / controls are taken. Risks are highly likely to occur within the next 5 years.</p>
4	Likely 51-75%	<p>Systematic Risks – Local evidence indicating high probability occur in most circumstances with near misses regularly encountered e.g. once or twice a year.</p> <p>Emerging Risks – National and Global evidence indicating high probability of occurrence on local communities if no action / controls are taken. Risks are likely to occur within the next 5-10 years.</p>
Page 46	Possible 26-50%	<p>Systematic Risks – Local evidence indicating distinct possibility with circumstances regularly encountered and near misses experienced every 1-3 years.</p> <p>Emerging Risks – National and Global evidence indicating distinct probability of occurrence on local communities if no action / controls are taken. Risks are likely to occur within the next 10-15 years.</p>
2	Unlikely 6-25%	<p>Systematic Risks – Local evidence indicating low to infrequent near misses experienced every 3 + years.</p> <p>Emerging Risks – National evidence indicating low probability of occurrence on local communities if no action / controls are taken. Risks are likely to occur within the next 16-25 years.</p>
1	Very Unlikely	<p>Systematic Risks – Local evidence indicating risk has rarely / never happened or in exceptional circumstances.</p> <p>Emerging Risks – National evidence indicating very low probability of occurrence on local communities if no action / controls are taken. Risks are likely to occur within the next 16-25 years.</p>

Systematic Risks – Risks that are known or are becoming part of social, cultural, economic and environmental systems that govern our lives.

Emerging Risks – Risks that are further away, less defined and early stage of being known about.

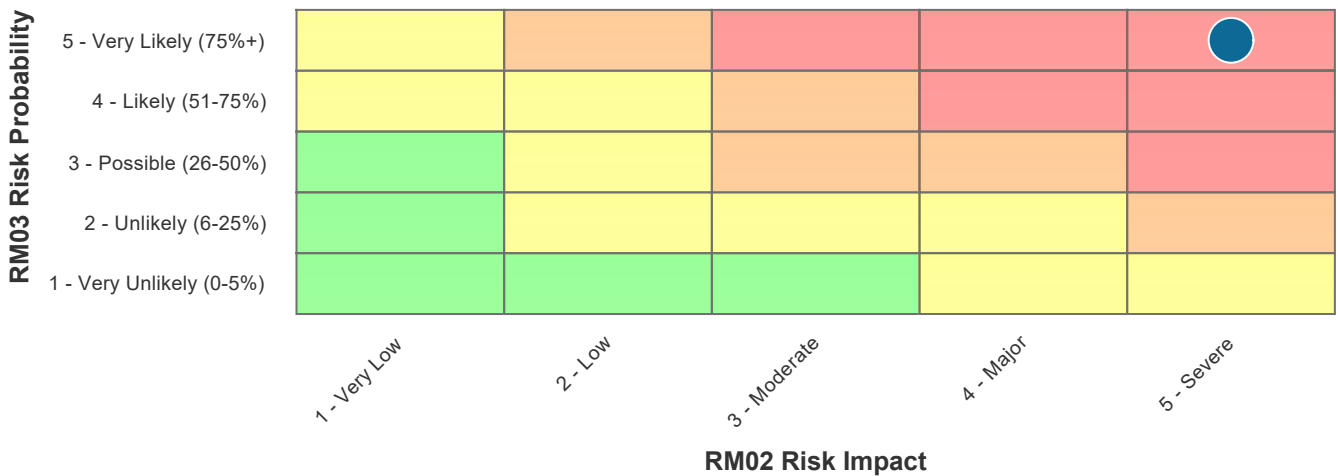
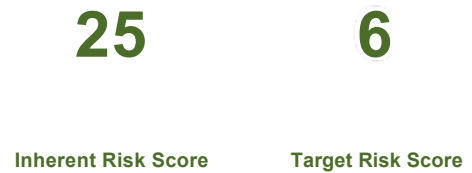
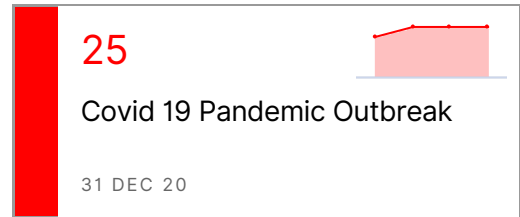
Corporate Risk Register

2020/21 Quarter 3 Update



Covid 19 Pandemic Outbreak

Short Description	The Corona Virus (COVID 19) pandemic has put at risk the operational ability of the Council to deliver its services, support vulnerable people across Newport and the economic impact to the local and wider economy. Potential mitigations carried out in line with the Chief Medical Officer's advice and Welsh/UK Government guidance.
Risk Owner	Rhys Cornwall
Overseeing Officer	Chief Executive
Lead Cabinet Member(s)	Leader of the Council & Cabinet Member for Economic Growth & Investment
Linked Theme	
Linked Corporate Objective	<ul style="list-style-type: none"> ■ WBO 1. Skills, Education & Employment ■ WBO 2. Economic Growth & Regeneration ■ WBO 3. Healthy, Independent & Resilient ■ WBO 4. Cohesive & Sustainable Communities ■ SRA 1. Supporting Education and Employment ■ SRA 2. Supporting the Environment & the Economy ■ SRA 3. Supporting Health & Well-being of Citizens ■ SRA 4. Supporting Citizens post Covid-19



Direction of Risk

	DoR	Comment
Covid 19 Pandemic Outbreak	➡	This risk remains at 25 at the end of Quarter 3. Wales went into Alert Level 4 restrictions from 20th December due to the identification of new Covid variants, increased pressure on hospital admissions and increasing rates of Covid cases. The Council services are continuing as normal with Covid Recovery Group (Gold) overseeing operations and responding to any changes in legislation / regulation from Welsh Government. Certain areas of the Council are facing pressures due to staff Covid related sickness. Schools are only open for critical workers and vulnerable children.

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.
Risk Owner	Jenny Jenkins
Overseeing Officer	Head of Adult and Community Services
Lead Cabinet Member(s)	Cabinet Member for Social Services
Linked Theme	Theme: Resilient Communities (Social Care)
Linked Corporate Objective	<ul style="list-style-type: none"> ■ WBO 3. Healthy, Independent & Resilient ■ SRA 3. Supporting Health & Well-being of Citizens

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Stability of Social Services Providers

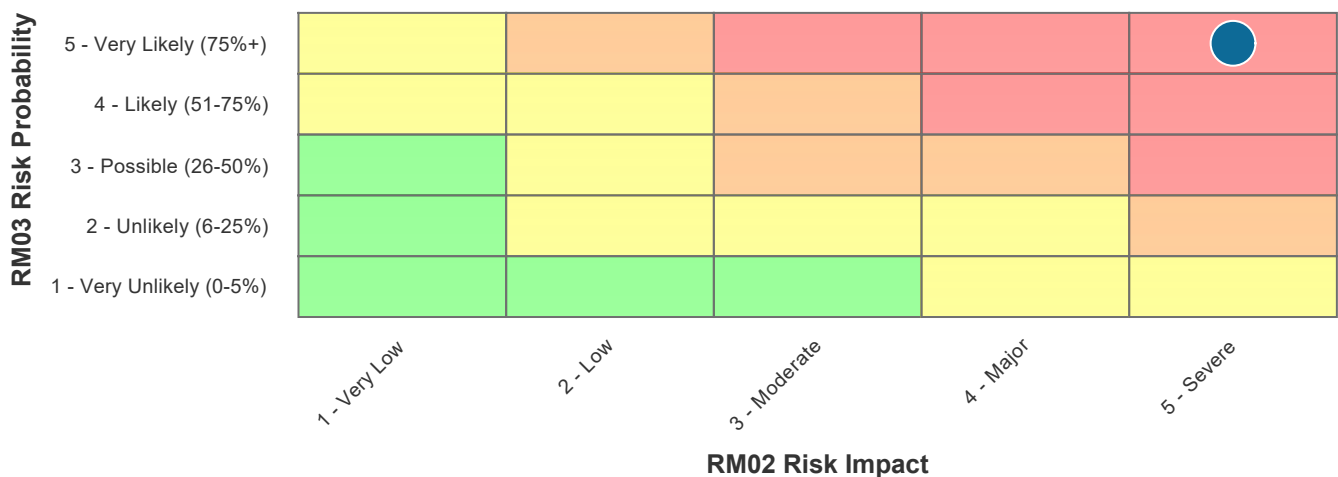
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Inherent Risk Score

Target Risk Score

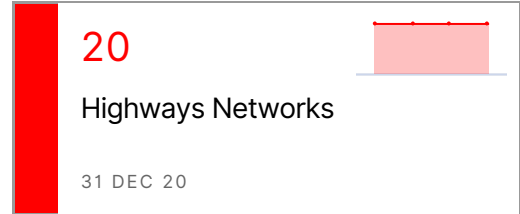


Direction of Risk

	DoR	Comment
Stability of Social Services Providers	➡	The risk score for quarter 3 remains the same as social care providers are having to manage resources within Covid-19 restrictions. In the short term providers (residential and domiciliary) are having to manage their financial and human resources in light of additional demand and staff / carers having to self-isolate. The Council is working closely with all providers to prevent any unforeseen risk(s) and issue(s) and that users / carers continue to be supported.

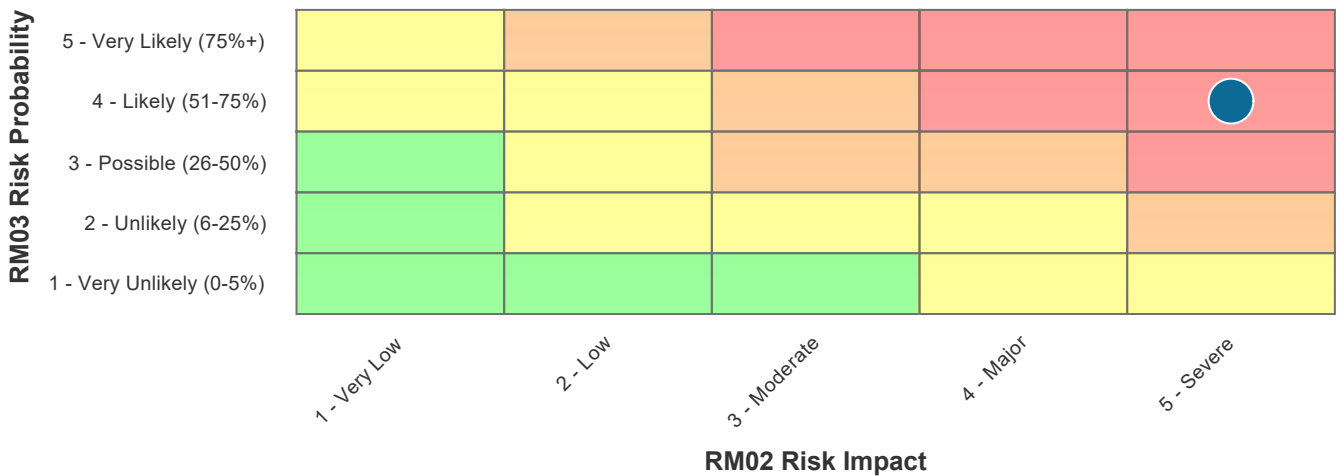
Highways Networks

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.
Risk Owner	Paul Jones
Overseeing Officer	Chief Executive
Lead Cabinet Member(s)	Deputy Leader & Cabinet Member for City Services & Member Development
Linked Theme	Theme : Thriving City
Linked Corporate Objective	<ul style="list-style-type: none"> ■ WBO 2. Economic Growth & Regeneration ■ WBO 3. Healthy, Independent & Resilient ■ SRA 2. Supporting the Environment & the Economy ■ SRA 3. Supporting Health & Well-being of Citizens



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Inherent Risk Score
Target Risk Score

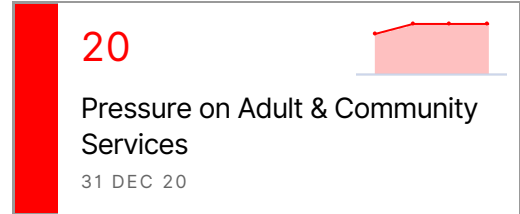


Direction of Risk

	DoR	Comment
Highways Networks	➡	No change for the end of Quarter 3. The long term maintenance of the Highways infrastructure remains a high risk due to the backlog of work and the necessary funding (over £80 million) required.

Pressure on Adult & Community Services

Short Description	<p>There is increased pressure on Adult Services to deliver services to adults with complex and long lasting needs.</p> <p>With an increase in demand / volume of referrals and care packages the Council has seen an increase in costs whilst in the context of tightening budgets.</p> <p>There are also additional statutory requirements to safeguard adults in our care and prevent risk of harm, injury or a loss of life.</p>
Risk Owner	Jenny Jenkins
Overseeing Officer	Head of Adult and Community Services
Lead Cabinet Member(s)	Cabinet Member for Social Services
Linked Theme	Theme: Resilient Communities (Social Care)
Linked Corporate Objective	<ul style="list-style-type: none"> ■ WBO 3. Healthy, Independent & Resilient ■ SRA 3. Supporting Health & Well-being of Citizens

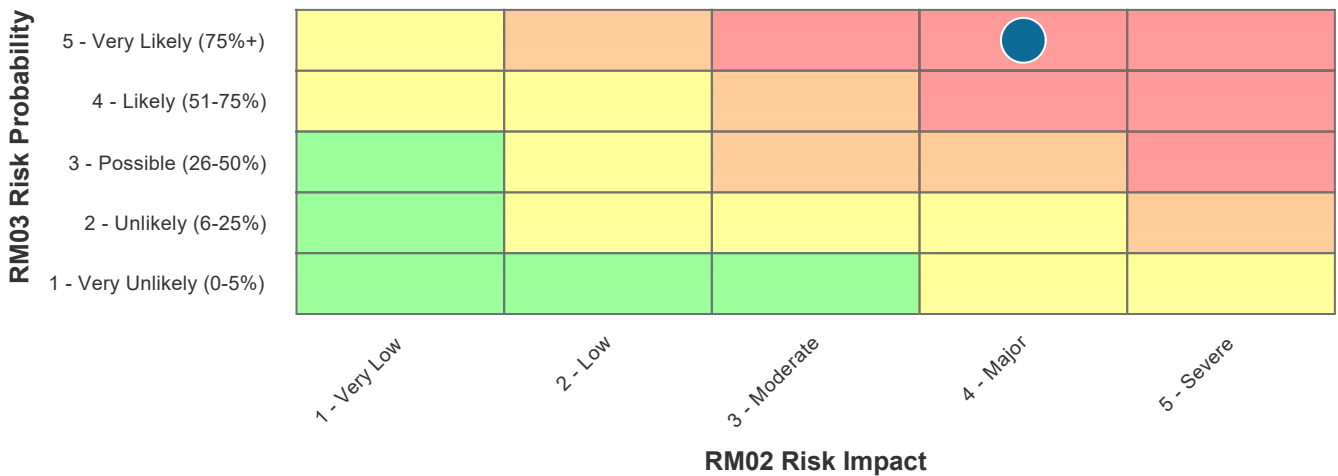


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Inherent Risk Score

Target Risk Score



Direction of Risk

	DoR	Comment
Pressure on Adult & Community Services	➡	There is no change to the risk score for quarter 3 due to the ongoing pressures being faced by residential and domiciliary care sectors during this pandemic. Covid restrictions, staff self-isolating and ongoing pressures in the health and social care sectors continue to impact the delivery of services.

Ash Die Back Disease

Short Description	Ash Die back disease will affect tree population in Newport. The disease has already been identified in Newport and could kill the majority of Ash trees in the authority. The impact of no action will be significant numbers of tree failures that could see an increase in the number of people harmed by trees and property claims.
Risk Owner	Joanne Gossage
Overseeing Officer	Head of Streetscene and City Services
Lead Cabinet Member(s)	Deputy Leader & Cabinet Member for City Services & Member Development
Linked Theme	Theme : Thriving City
Linked Corporate Objective	<ul style="list-style-type: none"> ■ WBO 2. Economic Growth & Regeneration ■ WBO 4. Cohesive & Sustainable Communities

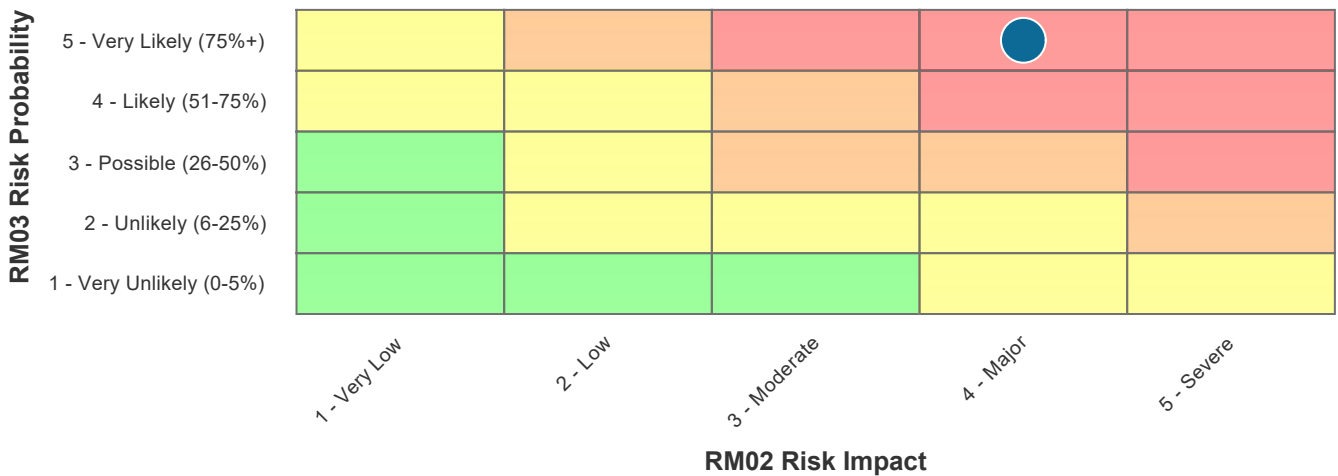


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Inherent Risk Score

Target Risk Score



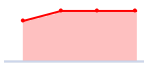
Direction of Risk

	DoR	Comment
Ash Die Back Disease	➡	Major works undertaken already this year, Caerleon Road in Q3. On going surveys have identified further urgent works in Q4 on arterial roads across the city.

Pressure on the Delivery of Children Services

Short Description	Increased pressure on Children Services to manage increase in volume of referrals / cases of children with complex needs. This is in the context of budgets not being able to meet increase in costs to provide the necessary care and front-line staff being able to manage high volume and complex caseloads.
Risk Owner	Sally Jenkins
Overseeing Officer	Chief Executive
Lead Cabinet Member(s)	Cabinet Member for Social Services
Linked Theme	<ul style="list-style-type: none"> ■ Theme : Aspirational People ■ Theme: Resilient Communities (Social Care)
Linked Corporate Objective	<ul style="list-style-type: none"> ■ WBO 3. Healthy, Independent & Resilient ■ SRA 3. Supporting Health & Well-being of Citizens

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Pressure on the Delivery of Children Services

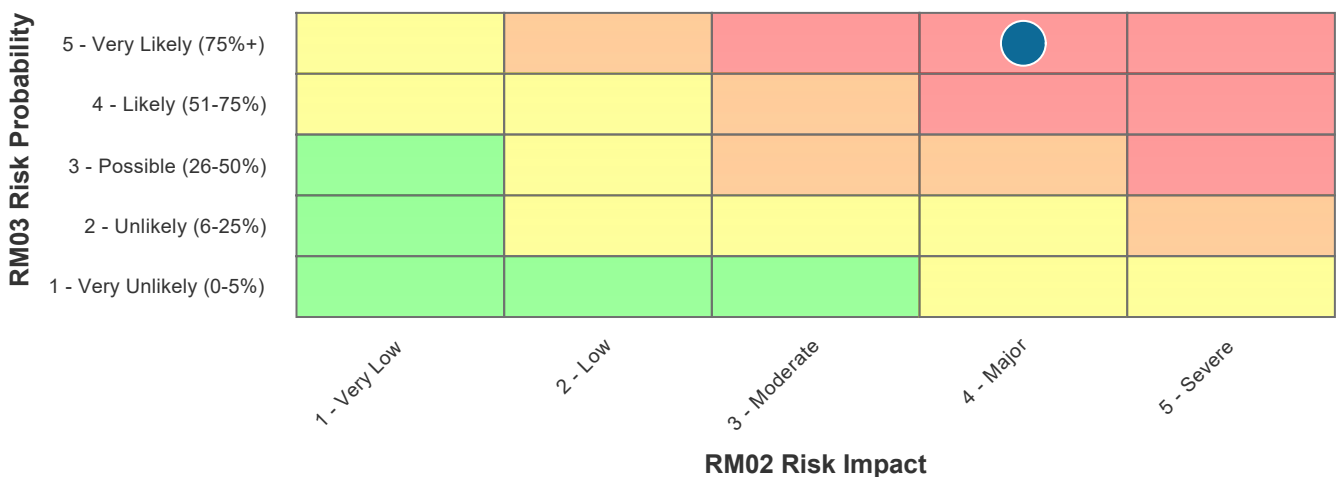
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Inherent Risk Score

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Target Risk Score



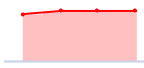
Direction of Risk

	DoR	Comment
Pressure on the Delivery of Children Services	➡	No change in this risk score and the service remains under pressure.

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
Risk Owner	Owen James
Overseeing Officer	<ul style="list-style-type: none"> ■ Chief Executive ■ Head of Finance
Lead Cabinet Member(s)	Leader of the Council & Cabinet Member for Economic Growth & Investment
Linked Theme	<ul style="list-style-type: none"> ■ Theme : Aspirational People ■ Theme : Modernised Council ■ Theme : Thriving City ■ Theme: Resilient Communities (Community) ■ Theme: Resilient Communities (Social Care)
Linked Corporate Objective	<ul style="list-style-type: none"> ■ WBO 1. Skills, Education & Employment ■ WBO 2. Economic Growth & Regeneration ■ WBO 3. Healthy, Independent & Resilient ■ WBO 4. Cohesive & Sustainable Communities

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Balancing the Council's Medium Term Budget

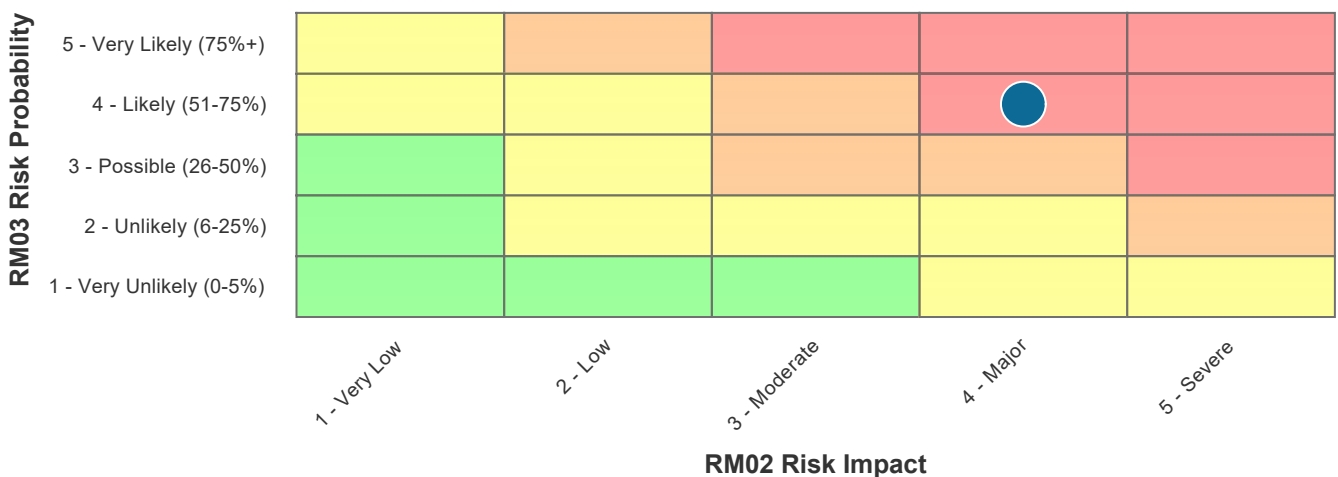
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Inherent Risk Score

Target Risk Score

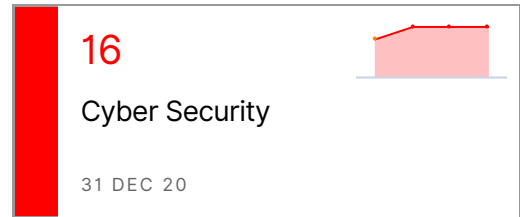


Direction of Risk

	DoR	Comment
Balancing the Council's Medium Term Budget	➔	<p>While the increased forecast settlement received for 2021/22 has improved the overall budget gap, without any medium term funding from UK government and Welsh Government beyond 2021/22 there is uncertainty on the level of future funding still.</p> <p>Given the current pandemic and economic situation this brings a greater risk as we don't know the impact on the public finances available and how the increased UK debt position is dealt with.</p>

Cyber Security

Short Description	Management and security of the Council's ICT systems to protect personal and sensitive data from theft and loss whilst also maintaining business continuity and integrity of our systems.
Risk Owner	Rhys Cornwall
Overseeing Officer	Chief Executive
Lead Cabinet Member(s)	Cabinet Member for Community and Resources
Linked Theme	Theme : Modernised Council
Linked Corporate Objective	

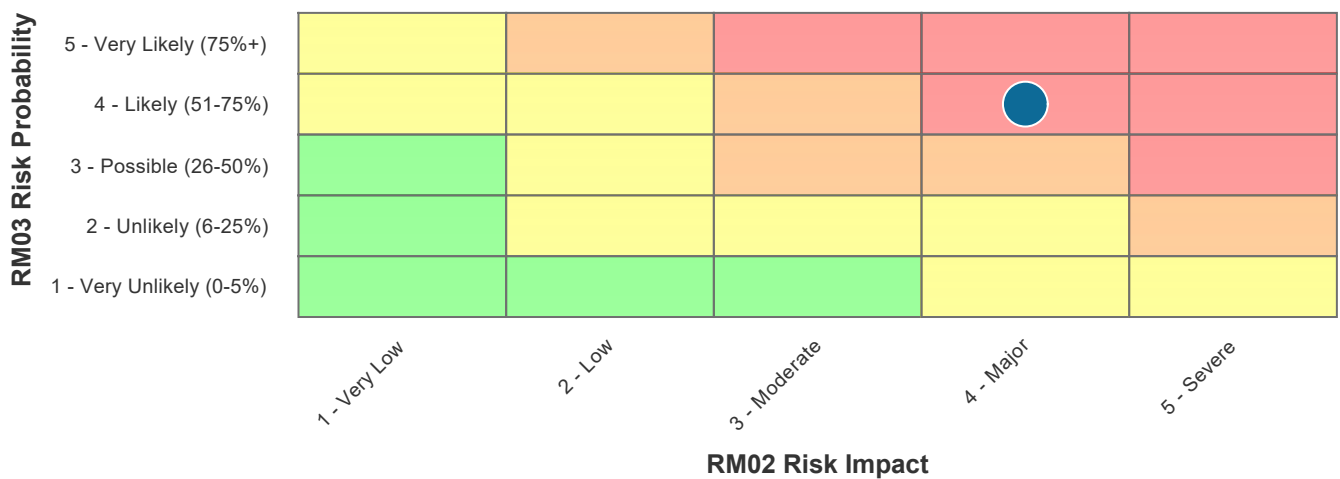


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Inherent Risk Score

Target Risk Score



Direction of Risk

	DoR	Comment
Cyber Security	➡	The risk score remains the same for the end of quarter 3. Threats of attack against Council IT systems are ongoing and the Council's IT provider Shared Resource Service continues to manage these threats.

Pressure on Housing & Homelessness Services

Short Description	Increased pressures being faced by the Council's housing service during the Covid-19 pandemic to support people that are presenting at risk of becoming homeless, those persons sleeping rough and those experiencing difficulties in their accommodation.
Risk Owner	Ben Hanks
Overseeing Officer	<ul style="list-style-type: none"> Chief Executive Head of Regeneration, Investment and Housing
Lead Cabinet Member(s)	Leader of the Council & Cabinet Member for Economic Growth & Investment
Linked Theme	<ul style="list-style-type: none"> Theme: Resilient Communities (Community) Theme : Thriving City
Linked Corporate Objective	<ul style="list-style-type: none"> WBO 4. Cohesive & Sustainable Communities SRA 2. Supporting the Environment & the Economy SRA 4. Supporting Citizens post Covid-19 WBO 2. Economic Growth & Regeneration WBO 3. Healthy, Independent & Resilient

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Pressure on Housing & Homelessness Services

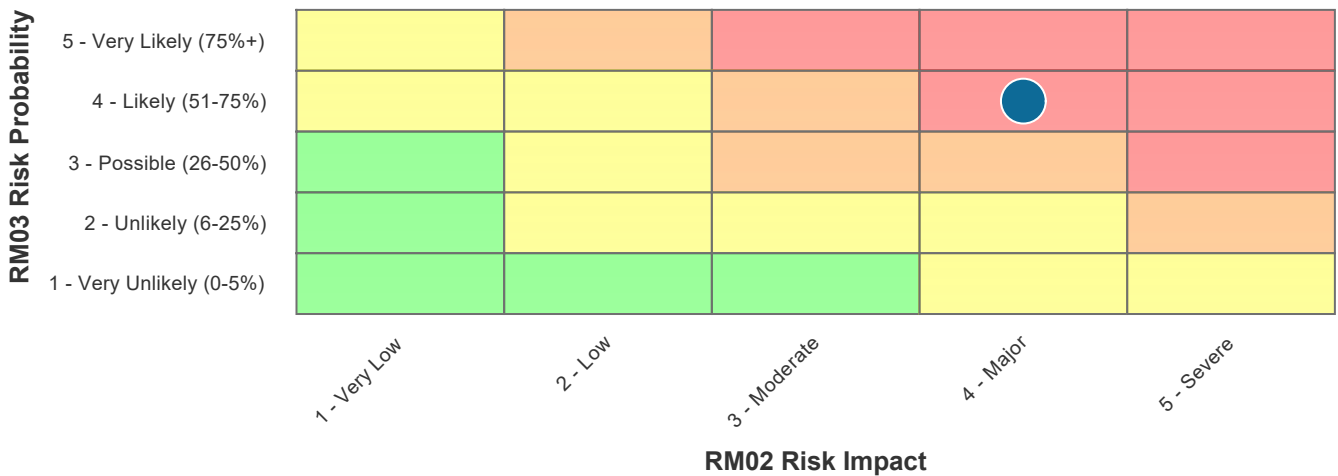
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Inherent Risk Score

Target Risk Score

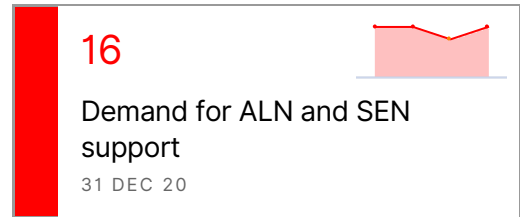


Direction of Risk

	DoR	Comment
Pressure on Housing & Homelessness Services	➡	No change since past period. Pressure of homelessness presentations, legislative duties and accommodation supply remains at a consistent level.

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.
Risk Owner	Katy Rees
Overseeing Officer	Chief Education Officer
Lead Cabinet Member(s)	Cabinet Member for Education and Skills
Linked Theme	Theme : Aspirational People
Linked Corporate Objective	<ul style="list-style-type: none"> ■ WBO 1. Skills, Education & Employment ■ WBO 3. Healthy, Independent & Resilient ■ SRA 1. Supporting Education and Employment

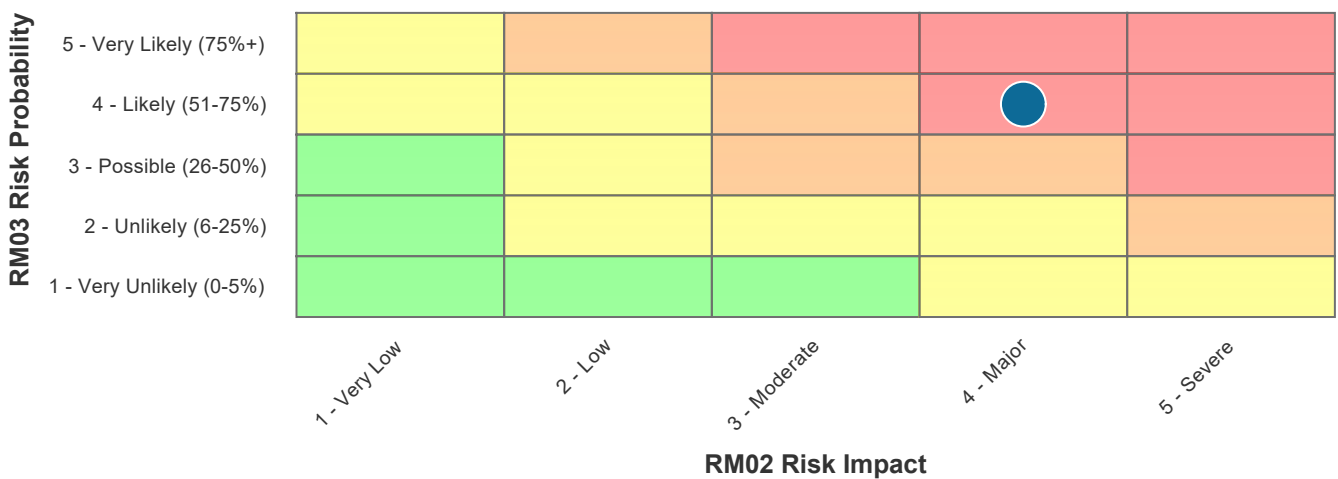


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Inherent Risk Score

Target Risk Score



Direction of Risk

	DoR	Comment
Demand for ALN and SEN support		During the Sept-Dec period 139 Formal Assessment requests were received. This increase has caused a pressure on Inclusion services. There is a growing number of pupils with complex needs entering our Schools, due to the pandemic some of these pupils did not access nursery or reception which has further delayed their progress. Due to the lack of capacity in the Inclusion service there is a very limited amount of preventative work offered to Schools. The Special Schools and the majority of primary Learning Resource Bases are at capacity. The ALN Implementation group will reconvene in the spring to review SEN funding to Schools.

Schools Finance / Cost Pressures

Short Description	In year cost pressures of schools are not met resulting in increased deficit budgets
Risk Owner	Sarah Morgan
Overseeing Officer	<ul style="list-style-type: none"> Chief Education Officer Chief Executive
Lead Cabinet Member(s)	<ul style="list-style-type: none"> Cabinet Member for Education and Skills Leader of the Council & Cabinet Member for Economic Growth & Investment
Linked Theme	Theme : Aspirational People
Linked Corporate Objective	WBO 1. Skills, Education & Employment

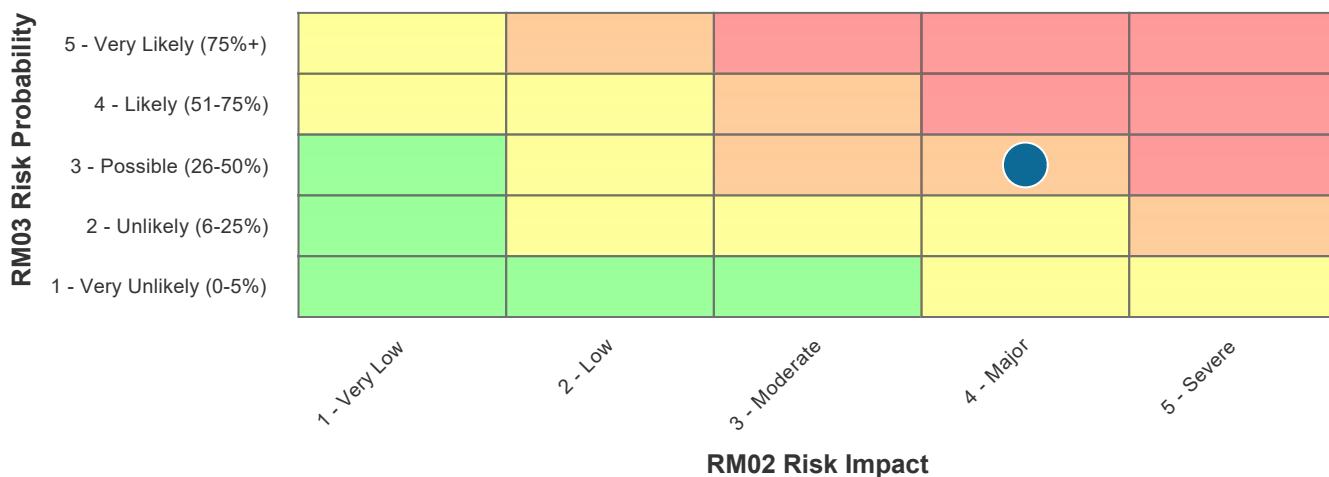


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Inherent Risk Score

Target Risk Score

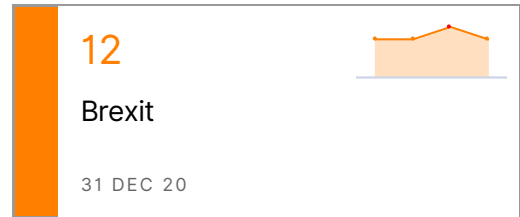


Direction of Risk

	DoR	Comment
Schools Finance / Cost Pressures		Total sector budgets are now £2 million pounds in surplus due to schools being closed for prolonged periods of time. However without careful budget management school are still at risk of developing deficit positions. The total number of schools in deficit remains the same.

Brexit

Short Description	The UK Government (UKG) and EU have now entered into the transition phase to negotiate a trade agreement by 31st December 2020. Should the UKG fail to secure a deal, the UK will fall back onto World Trade Organisation (WTO) arrangements which could impact on the cost and supply of goods / services and could impact on the economy and business arrangements. Also concerns around EU citizens living in the UK.
Risk Owner	Rhys Cornwall
Overseeing Officer	Chief Executive
Lead Cabinet Member(s)	Leader of the Council & Cabinet Member for Economic Growth & Investment
Linked Theme	
Linked Corporate Objective	<ul style="list-style-type: none"> ■ SRA 2. Supporting the Environment & the Economy ■ WBO 1. Skills, Education & Employment ■ WBO 2. Economic Growth & Regeneration ■ WBO 3. Healthy, Independent & Resilient ■ WBO 4. Cohesive & Sustainable Communities

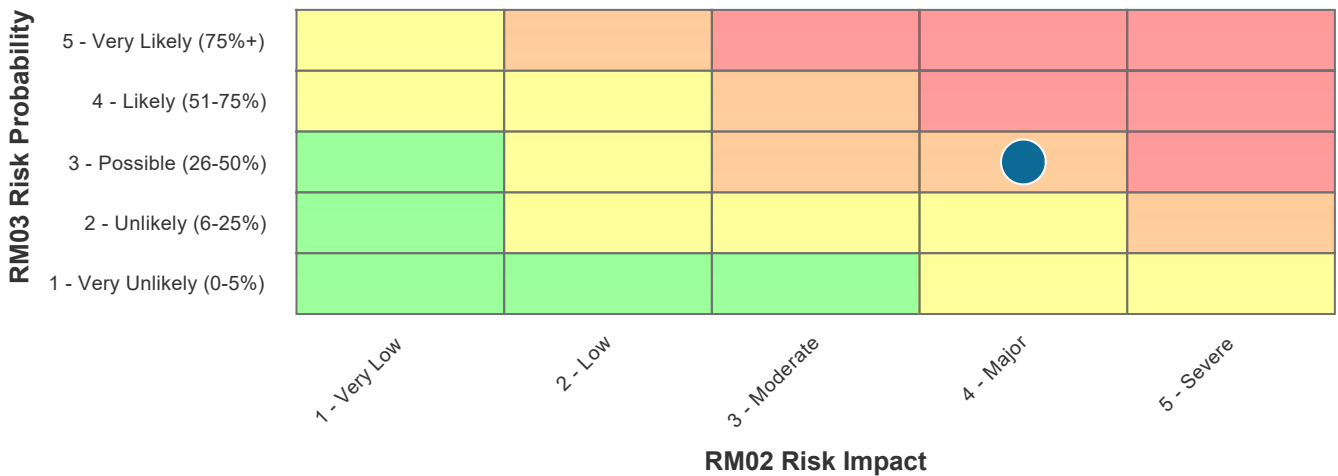


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Inherent Risk Score

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Target Risk Score



Direction of Risk

	DoR	Comment
Brexit		The risk score for Brexit has reduced from 16 to 12 reflecting the fact that the UK Government and EU agreed a tariff free trade deal. However, there remains risks in relation to the post Brexit arrangements and ensuring EU citizens living in the UK apply for EU Settled Status by 30th June. Additionally, the economy remains in a precarious position due to Covid and new trade arrangements which could impact on short to medium term stability of business, labour market and consumer confidence from 2021 onwards.

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.
Risk Owner	Ben Hanks
Overseeing Officer	<ul style="list-style-type: none"> ■ Chief Executive ■ Head of People & Business Change ■ Head of Regeneration, Investment and Housing
Lead Cabinet Member(s)	Cabinet Member for Assets
Linked Theme	Theme : Modernised Council
Linked Corporate Objective	<ul style="list-style-type: none"> ■ SRA 2. Supporting the Environment & the Economy ■ SRA 3. Supporting Health & Well-being of Citizens ■ WBO 2. Economic Growth & Regeneration ■ WBO 3. Healthy, Independent & Resilient

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Newport Council's Property Estate

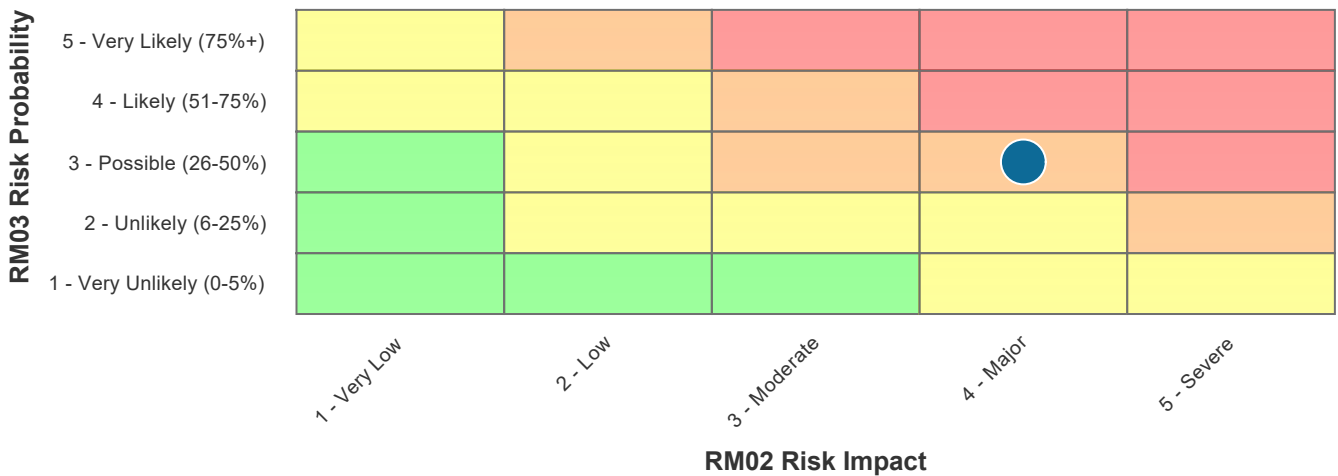
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9

Inherent Risk Score

Target Risk Score



Direction of Risk

	DoR	Comment
Newport Council's Property Estate		Increased probability of risk due to having undertaken the majority of condition surveys throughout NCCs operational estate.

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.
Risk Owner	Rhys Cornwall
Overseeing Officer	Strategic Director - Place
Lead Cabinet Member(s)	Deputy Leader & Cabinet Member for City Services & Member Development
Linked Theme	Theme : Thriving City
Linked Corporate Objective	<ul style="list-style-type: none"> ■ WBO 2. Economic Growth & Regeneration ■ SRA 2. Supporting the Environment & the Economy

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City Centre Security & Safety

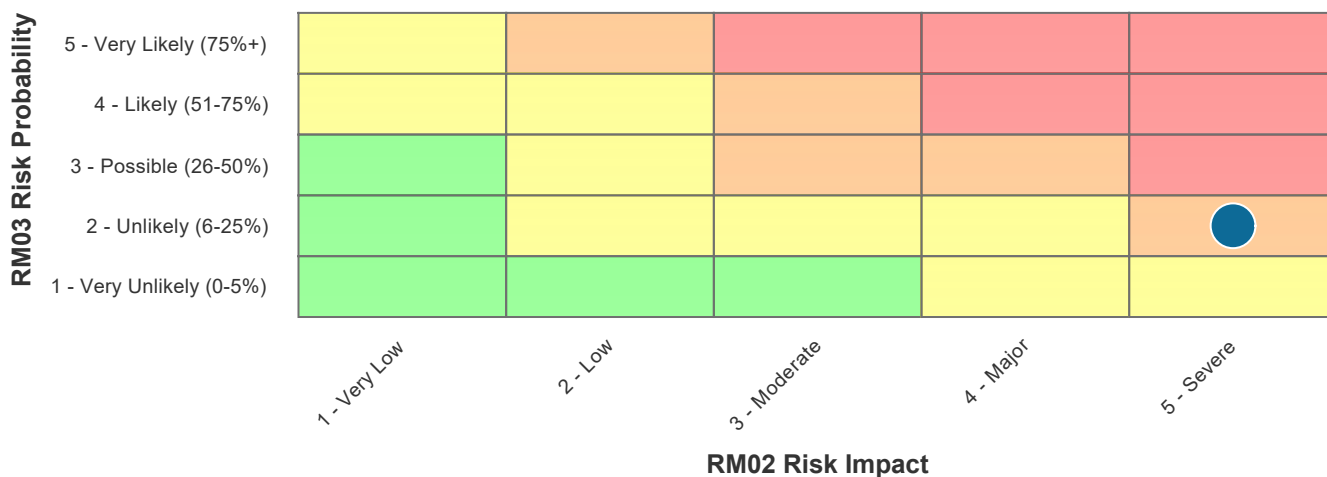
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Inherent Risk Score

Target Risk Score

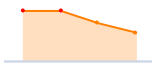


Direction of Risk

	DoR	Comment
City Centre Security & Safety	➡	The risk score remains the same as lockdown measures continue to be in place.

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 Out of County (OOC) placements both day and residential.
Risk Owner	Katy Rees
Overseeing Officer	Chief Education Officer
Lead Cabinet Member(s)	Cabinet Member for Education and Skills
Linked Theme	Theme : Aspirational People
Linked Corporate Objective	<ul style="list-style-type: none"> ▪ WBO 1. Skills, Education & Employment ▪ SRA 1. Supporting Education and Employment

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Educational Out of County Placements

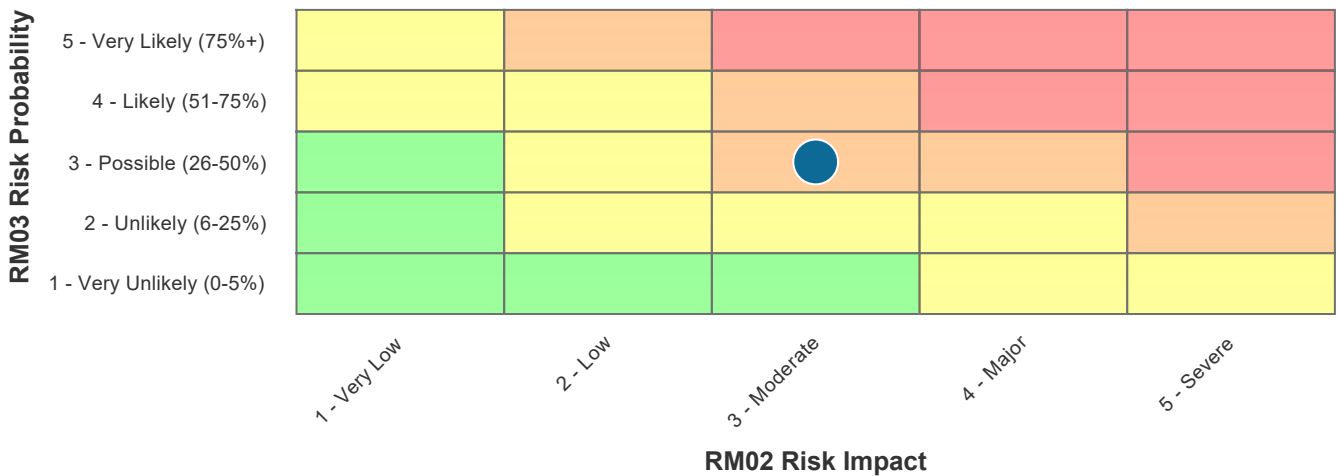
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Inherent Risk Score

Target Risk Score

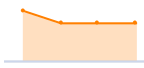


Direction of Risk

	DoR	Comment
Educational Out of County Placements		The Out of County budget and placements are very carefully monitored on a monthly basis. Additional local placements have been commissioned from Newport Live and Catch 22. Plans are being developed to expand Ysgol Bryn Derw to provide additional Foundation Phase placements.

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.
Risk Owner	Ben Hanks
Overseeing Officer	Chief Executive
Lead Cabinet Member(s)	Cabinet Member for Sustainable Development
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"> ■ WBO 2. Economic Growth & Regeneration ■ WBO 3. Healthy, Independent & Resilient

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Climate Change

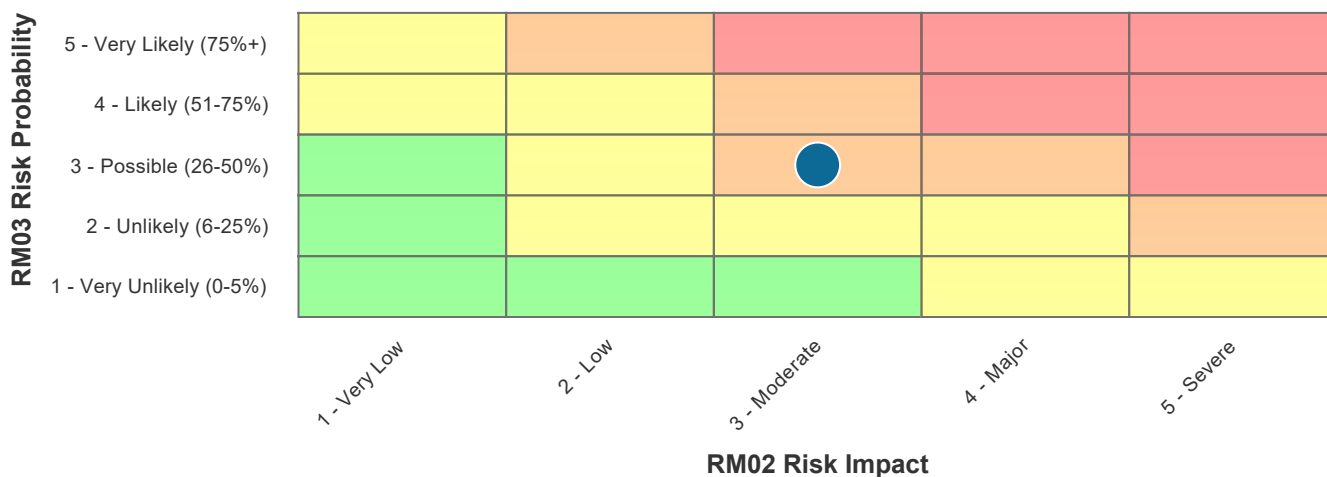
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Inherent Risk Score

Target Risk Score



Direction of Risk

	DoR	Comment
Climate Change	➡	No change since past period. Previous changes acknowledge the natural reduction in carbon due to levels of home working and reduced commuting.

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.
Risk Owner	Owen James
Overseeing Officer	<ul style="list-style-type: none"> ■ Chief Executive ■ Head of Finance
Lead Cabinet Member(s)	Leader of the Council & Cabinet Member for Economic Growth & Investment
Linked Theme	
Linked Corporate Objective	<ul style="list-style-type: none"> ■ WBO 1. Skills, Education & Employment ■ WBO 2. Economic Growth & Regeneration ■ WBO 3. Healthy, Independent & Resilient ■ WBO 4. Cohesive & Sustainable Communities

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In Year Financial Management

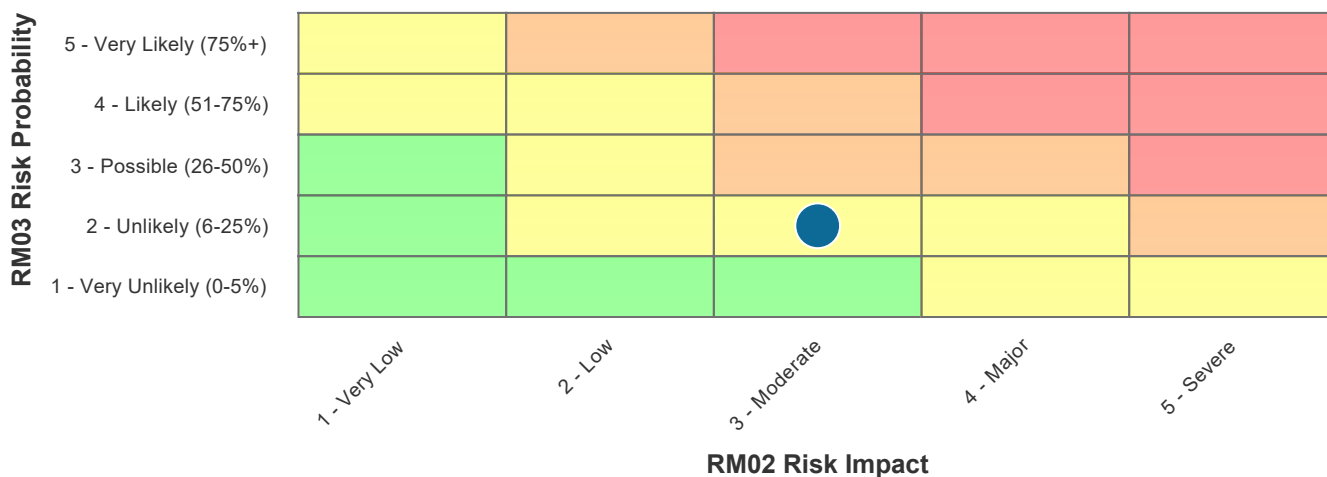
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Inherent Risk Score

Target Risk Score



Direction of Risk

	DoR	Comment
In Year Financial Management	➡	The risk of in-year overspend remains low due to the projections continues to show a forecast underspend for the year.

Safeguarding Risk

Short Description	To ensure the Council safeguards adults, children and carers as part of its statutory duty.
Risk Owner	Mary Ryan
Overseeing Officer	<ul style="list-style-type: none"> ■ Chief Education Officer ■ Chief Executive ■ Head of Adult and Community Services ■ Head of Children and Family Services ■ Head of Regeneration, Investment and Housing
Lead Cabinet Member(s)	Cabinet Member for Social Services
Linked Theme	Theme: Resilient Communities (Social Care)
Linked Corporate Objective	<ul style="list-style-type: none"> ■ WBO 3. Healthy, Independent & Resilient ■ SRA 3. Supporting Health & Well-being of Citizens

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Safeguarding Risk

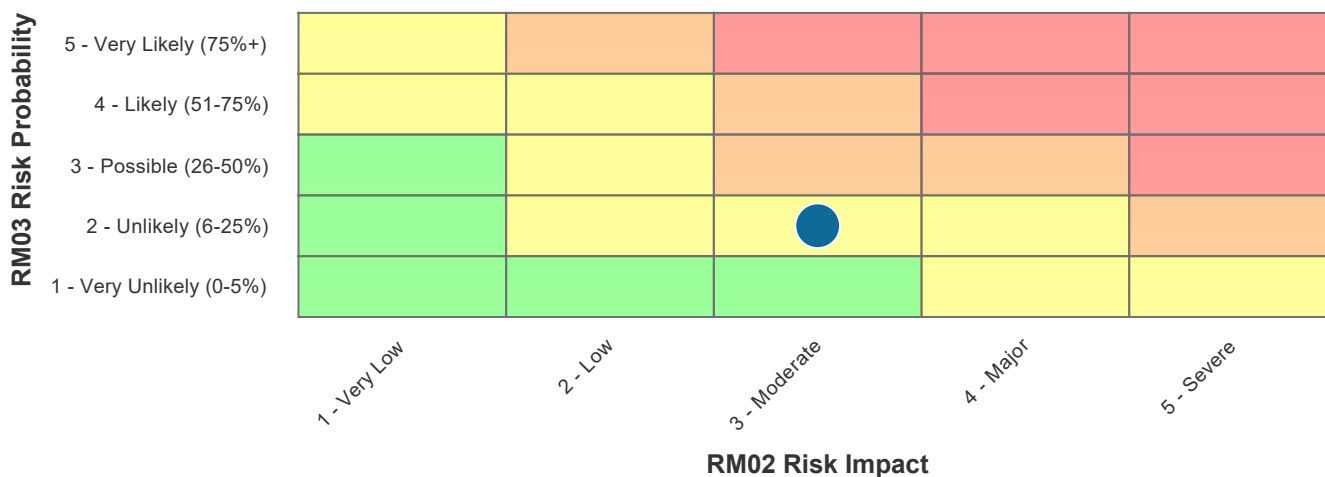
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Inherent Risk Score

Target Risk Score



Direction of Risk

	DoR	Comment
Safeguarding Risk	➡	There is no change to the risk score for Quarter 3.

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2021 Audit Plan – Newport City Council & Newport City Council Group

Audit year: 2020-21

Date issued: March 2021

Document reference: 2329A2021-22

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2021 Audit Plan

About this document

- 1 This document sets out the work I plan to undertake during 2021 to discharge my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

My duties

- 2 I complete work each year to meet the following duties.

Audit of financial statements

- 3 Each year I audit Newport City Council's (the Council) and Newport City Council Group's (the Group) financial statements to make sure that public money is being properly accounted for.

Value for money

- 4 The Council has to put in place arrangements to get value for money for the resources it uses, and I have to be satisfied that it has done this.

Continuous improvement

- 5 Under the Local Government (Wales) Measure 2009 (the Measure) the Council has to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General has to assess whether the Council is likely to (or has) met these requirements. Some requirements of the Measure will cease during 2021-22 due to changes in legislation arising from the Local Government and Elections (Wales) Act 2021. However, I anticipate that during 2021-22 I will still be required to audit the council's published assessment of its performance that covers the 2020-21 year.

Sustainable development principle

- 6 Public bodies need to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

Impact of COVID-19

- 7 The COVID-19 pandemic continues to have a significant impact across the United Kingdom and on the work of public sector organisations. As in 2020, it is likely to significantly impact on the preparation of the 2020-21 accounts and my financial audit and performance audit work.
- 8 Recent developments in relation to a vaccine programme indicate that the Welsh Government's restrictions on movement and anticipated sickness absence levels are expected to ease through 2021. However, I recognise that there remains significant uncertainty and I understand that many local authorities may not be able to prepare accounts in line with the timetable set out in the Accounts and Audit (Wales) Regulations 2014. As well as the delivery of my statutory responsibilities as the Auditor General, my priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.
- 9 Audit Wales staff will continue to work flexibly to deliver the audit work set out in this plan. In response to the government advice and subsequent restrictions, we will continue to work remotely, building on the arrangements made in 2020, until such time that it is safe to resume on-site activities. I remain committed to ensuring that the work of Audit Wales staff will not impede the vital activities that public bodies need to do to respond to ongoing challenges presented by the COVID-19 pandemic.
- 10 Consequently, while this audit plan sets out an initial timetable for the completion of my audit work, the ongoing uncertainties around the impact of COVID-19 on the sector mean that some timings may need to be revisited. My audit team will discuss any amendments required to the proposed timetable with the Council as the 2021 position becomes clearer.

Audit of financial statements

- 11 It is my responsibility to issue a certificate and report on the financial statements. This includes:
 - an opinion on the on the 'truth and fairness' of the Council's and Group's financial statements for the financial year ended 31 March 2021; and
 - an assessment as to whether the Council's and Group's Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with the financial statements and with my knowledge of the Council and Group.
- 12 In addition to my responsibilities for auditing the Council's financial statements, I also have responsibility for:
 - certifying a return to the Welsh Government which provides information about the Council and Group to support preparation of Whole of Government Accounts;

- responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
- the examination of the Greater Gwent Crematorium Joint Committee's annual return; and
- the certification of a number of grant claims and returns as agreed with the funding bodies.

- 13 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.
- 14 Any misstatements below a trivial level (set at 5% of materiality) I judge as not requiring consideration by those charged with governance and therefore will not report them.
- 15 There have been no limitations imposed on me in planning the scope of this audit.
- 16 I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#), along with further information about my work.

Audit of financial statements risks

- 17 The following table sets out the significant risks I have identified for the audit of the Council and Group.

Exhibit 1: financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
Significant risks	
<p>Management override</p> <p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and

Audit risk	Proposed audit response
	<ul style="list-style-type: none"> evaluate the rationale for any significant transactions outside the normal course of business.
<p>Impact of COVID-19 - resources</p> <p>The COVID-19 national emergency continues and the pressures on staff resource and of remote working may impact on the preparation, audit and publication of accounts. There is a risk that the quality of the accounts and supporting working papers, eg around estimates and valuations, may be compromised leading to an increased incidence of errors. Quality monitoring arrangements may be compromised due to timing issues and/or resource availability.</p>	<p>My audit team will discuss your closedown process and quality monitoring arrangements with the accounts preparation team and make arrangements to monitor the accounts preparation process. We will help to identify areas where there may be gaps in arrangements.</p>
<p>Impact of COVID-19 – funding streams</p> <p>The COVID-19 pandemic will have a significant impact on the risks of material misstatement and the shape and approach to my audit. The Welsh Government has made available various funding streams to the Council. In some cases, these monies provide financial support to the Council itself. In other cases, the funds have been administered by the Council, making payments to third parties on behalf of the Welsh Government. The amounts involved are material to the accounts.</p> <p>Examples of audit risks include:</p> <ul style="list-style-type: none"> incorrect accounting treatment for COVID-19 funding, ie principal or agency arrangements; fraud/error risks; potential year-end valuation uncertainty; and estimation of accrued annual leave provisions. 	<p>My audit team will review the funding streams received from the Welsh Government and confirm the appropriate accounting treatment with the Council.</p>

Audit risk	Proposed audit response
<p>Impact of COVID-19 - disclosures</p> <p>Last year I included three ‘Emphasis of matter’ paragraphs in my audit report, drawing attention to material valuation uncertainties in the financial statements in respect of the valuation of:</p> <ul style="list-style-type: none"> • land and buildings; • investment properties; and • certain pension fund assets. <p>These uncertainties arose from the COVID-19 pandemic, and my audit opinion was not modified in respect of these matters. However, with the pandemic continuing it is possible that similar disclosures may be required this year.</p>	<p>My audit team will review the valuer’s valuation reports and the actuary’s pension report and consider the impact on my audit of any reported material uncertainties.</p>
Other audit risks	
<p>Cardiff Capital Region City Deal:</p> <p>City deals are arrangements negotiated with government that give greater accountability for actions in return for new powers to help encourage growth and jobs. The Cardiff Capital Region City Deal (the City Deal) involves ten local authorities.</p> <p>The authorities have established a joint committee (the Regional Cabinet) to oversee delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure over 20 years.</p> <p>There will be a number of accounting issues to address, including potential consolidation of the joint committee into the Council’s accounts.</p>	<p>Liaising closely with other local council auditors, my audit team will:</p> <ul style="list-style-type: none"> • monitor progress with the City Deal project and carry out early work, as necessary, to assess the existing and proposed financial and governance arrangements; and • consider work undertaken by HM Treasury to scrutinise the effectiveness of the region’s governance arrangements.
<p>McCloud judgement</p> <p>In 2015 the Government introduced reforms to public sector pensions,</p>	<p>My audit team will review the provision previously made in relation to the</p>

Audit risk	Proposed audit response
<p>meaning most public sector workers were moved into new pension schemes in 2015.</p> <p>In December 2018, the Court of Appeal ruled that the ‘transitional protection’ arrangements amounted to unlawful discrimination.</p> <p>Consultations on proposed remedies for the Local Government, Police and Fire pensions schemes closed in October 2020. It is government’s intention for the legislation to be in place by April 2022 and final details are expected to be published during 2021.</p> <p>The impact of the judgement is likely to have a significant impact on the IAS 19 disclosed liabilities.</p>	<p>McCloud judgement and monitor progress on the outcome of the consultation to be applied in the Local Government pension schemes.</p>

Other matters

- 18 There are two further matters on which my audit team will undertake early work in preparation for the 2021-22 audit.

Exhibit 2: Other matters

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Other matters	
<p>CIPFA/LASAAC has once again deferred the introduction of IFRS 16 until 1 April 2022. The Council will, however, need to undertake considerable work to identify leases, and the COVID-19 pandemic may pose implementation risks.</p>	<p>My team will undertake some early work to review preparedness for the introduction of IFRS 16 Leases.</p>
<p>The Local Government and Elections (Wales) Act has received Royal Assent.</p>	<p>My team will liaise with management to determine the impacts of this new</p>

Other matters

Included in its provisions is the establishment of Corporate Joint Committees (CJC) to deliver certain types of services.

legislation on the Council, and any accounts or audit requirements arising.

Performance audit

- 19 In addition to my Audit of Financial Statements I also carry out a programme of performance audit work to discharge my duties as Auditor General as set out on **page 4** in relation to value for money and sustainable development.
- 20 In response to the pandemic, I have adopted a flexible approach to my performance audit work both in terms of topic coverage and methodology. My work on recovery planning, COVID-19 learning, and my assurance and risk assessment work are examples of this. This has enabled me to respond to the fast-moving external environment and provide more real-time feedback in a range of formats.
- 21 For 2021-22, I intend to build on this approach to help enable my work to be responsive and timely and, where possible, to share learning more quickly. As part of this approach, I anticipate that a significant proportion of my local performance audit programme will be delivered through the Assurance and Risk Assessment Project, that will be ongoing throughout the year.
- 22 Given the high degree of commonality in the risks facing councils at this time, I also intend to deliver a number of thematic projects examining risks common to all councils.
- 23 I have consulted public bodies and other stakeholders on how I will approach my duties in respect of the Wellbeing of Future Generations (Wales) Act 2015. This consultation was extended due to the pandemic.
- 24 In my consultation I have set out and sought views on proposals to:
- continue to undertake specific examinations to assess the setting of well-being objectives and how steps are being taken to meet them, respectively;
 - integrate the examination of steps alongside value for money studies and local audit work, wherever possible; and
 - strengthen and expand the co-ordination of work with the Future Generations Commissioner.
- 25 I will be writing to the 44 public bodies designated under the Act setting out the results of the consultation and how I intend to approach this work over the reporting period 2020-2025.

- 26 In view of the above factors I intend to retain a high degree of flexibility in my local performance audit programme at the Council and will continue to update the Council as the audit programme develops.
- 27 For 2021-22 this work is set out below.

Exhibit 3: Performance Audit Programme 2021-22

This table summarises the performance audit programme for 2021-22

Performance audit programme	Brief description
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Further details to follow.
Improvement reporting audit	Audit of discharge of duty to publish an assessment of performance.
Assurance and Risk Assessment	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years, in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.</p> <p>The project is likely to focus on:</p> <ul style="list-style-type: none"> • financial position; • self-assessment arrangements; • recovery planning; • implications of the Local Government and Elections (Wales) Act; and • carbon reduction plans.
Springing Forward – examining the building blocks for a sustainable future	As the world moves forward, learning from the global pandemic, this review looks at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.

Performance audit programme	Brief description
Local work	Specific areas of local work will be determined following a discussion with Council officers on 12 March. A further verbal update will be provided to the Committee.

Certification of grant claims and returns

- 28 I have been requested to undertake certification work over some of the Council's grant claims and returns for the 2020-21 financial year.
- 29 In respect of the 2019-20 Certification of Grants and Returns, we will produce a separate report which summarises the more significant and/or recurring issues I identified when undertaking grant certification work in 2019-20. This report will be completed following the conclusion of our work on the 2019-20 Housing Benefit Subsidy return.

Statutory audit functions

- 30 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
 - Section 31 Right to make objections at audit.
- 31 As this work is reactive, I have made no allowance in the fee table below. If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee, audit team and timetable

- 32 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with a timescale to be agreed taking into account the impact of COVID-19, to the quality expected and have been subject to a robust quality assurance review;
 - information provided to support the financial statements is in accordance with the agreed audit deliverables document;
 - When it is safe to resume on site activities, appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;

- all appropriate officials will be available during the audit;
- you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
- Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

33 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee

34 Your estimated fee for 2021 is set out in **Exhibit 4**. Please note that this proposed fee currently remains subject to final moderation by the Auditor General.

Exhibit 4: audit fee

This table sets out the proposed audit fee for 2021, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts ²	191,900	191,900
Performance audit work ³	103,090	103,090
Other financial audit work ⁴	1,244	1,244
Total fee	296,234	296,234

35 As noted in paragraph 29, our grant certification work for 2019-20 is ongoing. We will produce a separate report which summarises any significant issues and will update the Council on the proposed fee for 2020-21, as well as the actual fee for 2019-20.

36 Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.

37 Further information on my [fee scales and fee setting](#) can be found on our website.

¹ The fees shown in this document are exclusive of VAT, which is not charged to you.

² Payable November 2020 to October 2021.

³ Payable April 2021 to March 2022.

⁴ Payable as examination work is completed on the Greater Gwent Crematorium Joint Committee Annual Return.

Audit team

38 The main members of my team, together with their contact details, are summarised in **Exhibit 5**.

Exhibit 5: my audit team

This table lists the members of the local audit team and their contact details.

Name	Role	Contact number	E-mail address
Anthony Veale	Engagement Director & Engagement Lead (Financial Audit)	029 2032 0585	anthony.veale@audit.wales
Huw Rees	Engagement Lead (Performance Audit)	029 2032 0599	huw.rees@audit.wales
Gareth Lucey	Audit Manager (Financial & Performance Audit)	029 2082 9398	gareth.lucey@audit.wales
Ramim Khan	Audit Lead (Financial Audit)	029 2032 0632	ramim.khan@audit.wales
Martin Gibson	Audit Lead (Performance Audit)	029 2032 0617	martin.gibson@audit.wales

Timetable

- 39 The key milestones for the work set out in this plan are shown in **Exhibit 6**. As highlighted earlier, there may be a need to revise the timetable in light of developments with COVID-19.
- 40 The Public Audit (Wales) Act 2004 provides electors with the right to ask questions and to make objections to the Council accounts to the Auditor General. The rights to ask questions and make objections at audit are linked to electors' rights to inspect the accounts that are also set out in the 2004 Act. The current COVID restrictions may impose restrictions on the Council's ability to facilitate the inspection of accounts. Therefore, we have not yet set a date for the exercise of

electors' rights and will continue to monitor the situation before confirming a date with you. We anticipate that we will be in a position to agree a date with you in late May 2021.

Exhibit 6: Audit timetable

Planned output	Work undertaken	Report finalised
2021 Audit Plan	February to March 2021	March 2021
Audit of Financial statements <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements • Financial Accounts Memorandum 	February to September 2021	September 2021 ⁵ September 2021 November 2021
Performance audit work	Timescales for individual projects will be discussed with you and detailed within the specific project briefings produced for each study.	
Grants certification work	September to December 2021	January 2022
Examination of Greater Gwent Crematorium Joint Committee	September 2021	September 2021
Annual Audit Summary	December 2021	January 2022

⁵ The statutory deadline for certification of local government accounts is July 2021. However, legislation allows for over-runs where appropriate notification is made on the Council website. This approach was followed for the 2019-20 accounts and audit, as a result of the COVID-19 pandemic.

Planned output	Work undertaken	Report finalised
2022 Audit Plan	February to March 2022	March 2022

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



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Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Report

Audit Committee

Part 1

Date: 25 March 2021

Item No: 7

Subject **Audit Wales Annual Audit Summary 2020**

Purpose To present the Council's Audit Committee a summary of Audit Wales, Care Inspectorate Wales and Estyn work carried out in 2019/20 (to December 2020)

Author Head of People and Business Change

Ward All

Summary As part of the Auditor General for Wales' duties under the current requirements (Local Government Measure 2009) Audit Wales has published its Annual Audit Summary of work completed since the last Annual Improvement Report issued in July 2019.

This report is to inform Newport City Council's Audit Committee a summary of the work undertaken by Audit Wales, Care Inspectorate Wales (Social Services) and Estyn (Education). The audit and regulatory work summarised in this report supports the Auditor General's overall assessment of Newport Council and whether it has put in place arrangements to secure value for money.

Proposal Audit Committee is asked to consider the contents of the report and the work undertaken by the Council's External Auditors (Audit Wales) and the Regulatory bodies Care Inspectorate Wales and Estyn.

Action by Corporate Management Team and Heads of Service

Timetable Immediate

Signed

Background

In accordance with the current Local Government Measure 2009 and as part of the Auditor General's duties, the attached Audit Wales report provides an overview of Audit Wales and the Council's main regulatory bodies: Care Inspectorate Wales (Social Services) and Estyn (Education).

As the report outlines, the Auditor General's duties is to:

- **Audit the Council's financial statements** and to make sure public money is properly accounted for.
- **Value for money** is provided within the resources it uses.
- **Continuous improvement** arrangements are in place to improve the delivery of services and ensure compliance with necessary legislative and regulatory requirements
- The Council ensures **sustainable development** when setting and taking steps to meet its well-being objectives (Well-being of Future Generations Act)

The report acknowledges the impact that Covid-19 has had on Audit Wales and the Regulatory bodies to fully carry out their duties in 2020/21. In response to public bodies facing the significant strain on resources Audit Wales reshaped its work programme and found new ways of working to support meeting its statutory duties.

The report has outlined the local and national (thematic) reviews that Audit Wales and the regulatory bodies have delivered in 2019/20 (to December 2020).

Below is an overview of reports released by the three regulatory bodies and the links to the relevant reports.

Audit Wales - Audit Title and Link to Report	Local / National (Thematic Review)	Overview
Audit of the Council's Financial Statement (September 2020)	Local (Newport) Review	The Auditor General gave an unqualified true and fair opinion on the Council's 2019/20 finances.
Well-being of Future Generations Examination, Preventing and tackling Anti-Social Behaviour (ASB) (January 2020)		This report examined the strong collaborative work of the Council and its partners in tackling ASB but also recognised the long term approach needed to tackle its root causes.
Environmental Health Services (November 2019)		Follow up review of the Council's Environmental Health service and its previous 2014 report "Delivering with less – impact on environmental health services and its citizens".
Financial Sustainability Report (August 2020)		Examination of local authority finances, their position and future development.
The 'Front Door' to Social Care (September 2019)	National / Thematic Review	Thematic review on the effectiveness of Information, Advice and Assistance services across Social Services in Wales.
Review of Public Services Boards (October 2019)		Review of the operation, membership and delivery of Public Services Boards across Wales.
Progress in implementing the Violence Against Women, Domestic Abuse and Sexual Violence (VAWDASV) Act (November 2019)		Examination on how public services are implementing the Act and identified victims and survivors of domestic abuse and sexual violence are often let down by inconsistency, complex and fragmented system.
Rough Sleeping in Wales, Everyone's Problem; No One's Responsibility (July 2020)		A review of how well public services and partners are responding to the issue of rough sleeping in response to the Covid-19 crisis.
Better Law Making (September 2020)		A review of how local authorities are responding to the challenge of implementing new legislation and the difficulties faced by Councils and partners in doing so.

Audit Wales - Audit Title and Link to Report	Local / National (Thematic Review)	Overview
Commercialisation in Local Government (October 2020)		A review of how councils have conducted commercial activity in light of the financial pressures faced. Learning from other local authorities how they have implemented approaches and helping elected members and officers assess its impact and responsibilities.

Care Inspectorate Wales (CIW)

- CIW together with Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), Healthcare Inspectorate Wales (HIW), Her Majesty's Inspectorate of Probation (HMIP) and Estyn, carried out a joint inspection between 2 and 6 December 2019 on the multi-agency response to abuse and neglect in Newport.
- This was the first pilot inspection in Wales involving five inspectorates reviewing child protection arrangements.
- Its published letter can be located [here](#) and was very positive in the work that the Council, its partners and had identified areas for improvement which the Council has responded to.
- [CIW Performance Review letter](#) for 2019/20 was published in August 2020. The letter follows the four principles set in the Social Services and Well-being (Wales) Act 2014.
- CIW also undertake regular reviews of services registered in the Newport area. CIW reports can be located [here](#).

Estyn

- Latest Estyn thematic report on local authority and regional consortia support for schools and PRUs to the Covid-19 response can be located [here](#).
- School inspection reports can be located [here](#)

Audit Wales, Estyn and Care Inspectorate Wales will be delivering a workshop to the Council's Cabinet and Senior Officers to discuss their work carried out, Covid learning and outlining their work programme for 2021/22.

Appendix 2 – Audit Wales Annual Audit Summary (English)

Appendix 3 – Audit Wales Annual Audit Summary (Welsh)

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?
Newport Council is not fully implementation recommendations raised by Audit Wales to improve the delivery of services.	M	L	Newport Council considers the recommendations and ensures as necessary action is taken in response to Audit Wales reports and recommendations.	Directors, Heads of Service

*Taking account of proposed mitigation measures

Links to Council Policies and Priorities

Corporate Plan 2017-22
Strategic Recovery Aims
Service Plans 2020/21

Options Available and considered

1. Audit Committee to note the work carried out by Audit Wales and the regulatory bodies.
2. Audit Committee request further information or reject the contents of the risk register

Preferred Option and Why

1. Option 1 is the preferred option to note Audit Wales summary of work carried out and consider the comments from the Council's Audit Committee.

Comments of Chief Financial Officer

Comments of Monitoring Officer

Comments of Head of People and Business Change

Audit Wales, Care Inspectorate Wales and Estyn provide valuable assurance to the Council to ensure it is delivering value for money for residents and businesses in Newport. The work carried out by Audit Wales in the last year has been invaluable to the Council and the reports have provided sufficient assurance and as necessary areas for improvement. This work supports the Council in delivering its Well-being Objectives set in the Corporate Plan and ensures that we are considering sustainable development in work carried out. There are no HR implications to be considered in this report.

Comments of Cabinet Member

The Leader of the Council has been informed of Audit Wales report and acknowledges the work that Audit Wales and the respective regulatory bodies have carried out in the last year. The Council's Cabinet welcomes their reports and recommendations in providing assurance in the delivery of Council services and as necessary to make improvements in service delivery that will support the Council's Corporate Plan and statutory duties.

Local issues

None.

Scrutiny Committees

Not Applicable. Audit Committee have a role in reviewing and assessing the Audit and assurance activities of the Council.

Equalities Impact Assessment

Not applicable.

Children and Families (Wales) Measure

Not applicable.

Wellbeing of Future Generations (Wales) Act 2015

The work of Audit Wales and the Regulatory bodies consider the Well-being Act and the 5 ways of working to ensure the Council is meeting the Sustainable Development principle.

Crime and Disorder Act 1998

Not applicable.

Consultation

This report is considered by the Council's Corporate Management Team.

Background Papers

None

Dated: 3rd March 2021

Newport City Council

Annual audit summary 2020

This is our audit summary for Newport City Council. It shows the work completed since the last Annual Improvement Report, which was issued in July 2019. Our audit summary forms part of the Auditor General for Wales' duties.

More information about these duties can be found on our [website](#).



About the Council

Some of the services the Council provides



Key facts

The Council is made up of 50 councillors who represent the following political parties:

- 31 Labour
- 12 Conservative
- 4 Newport Independent
- 2 Liberal Democrat
- 1 Independent

The Council spent £313.9 million on providing services during 2019-20, the seventh-highest spend of the 22 unitary councils in Wales.

As at 31 March 2020 the Council had £78.8 million of usable financial reserves. This is equivalent to 25% of the Council's annual spend on services, the fifth-highest percentage of the 22 unitary councils in Wales. Within its usable financial reserves is £42.3 million (53.4% of total usable reserves) earmarked for two Private Finance Initiative schemes.

Key facts

Newport has 23 (24%) of its 95 areas deemed the most deprived 10% of areas in Wales, this is the highest proportion of the 22 unitary councils in Wales¹.

Newport's population is projected to increase by 11.9% between 2020 and 2040 from 155,763 to 174,290, including a 3.6% increase in the number of children, an 8.5% increase in the number of the working-age population and a 34.3% increase in the number of people aged 65 and over².

The Auditor General's duties

We complete work each year to meet the following duties

- **Audit of Accounts**

Each year the Auditor General audits the Council's financial statements to make sure that public money is being properly accounted for.

- **Value for money**

The Council has to put in place arrangements to get value for money for the resources it uses, and the Auditor General has to be satisfied that it has done this.

- **Continuous improvement**

The Council also has to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General has to assess whether the Council is likely to (or has) met these requirements.

- **Sustainable development principle**

Public bodies need to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

¹ An area in this context is defined as a 'Lower Super Output Area'. Source: Stats Wales

² Source: Stats Wales



Since the Spring of 2020, the ongoing pandemic has affected our audit work. We recognise the huge strain on public services and have reshaped our work programme, and found new ways of working to reduce its impact on public bodies' response to COVID-19, while still meeting our statutory duties.



To meet the Auditor General's duties we complete specific projects, but we also rely on other audit work, and the work of regulators such as Care Inspectorate Wales and Estyn (the education inspectorate). We take the findings of our audit work into account when assessing whether the Council has put in place arrangements to secure value for money. Our findings and conclusions are summarised below.

What we found

Audit of Newport City Council's 2019-20 Accounts

Each year we audit the Council's financial statements.

For 2019-20:

- the Auditor General gave an unqualified true and fair opinion on the Council's financial statements on 30 September 2020. This was after the statutory deadline of 15 September 2020 as a result of pressures caused by the COVID-19 pandemic, and the Council took the appropriate statutory measures to explain this delay on its website.
- the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were also consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- the quality of the draft statements presented for audit on 6 July 2020 was generally good, although our closing Audit of Accounts Memorandum has identified some areas for improvement in future years.
- a number of changes were made to the Council's financial statements arising from our audit work, which were reported to the Audit Committee in our Audit of Accounts Report in September 2020.
- in addition to the Auditor General's responsibilities for auditing the Council's financial statements, he also has responsibility for the certification of a number of grant claims and returns. We will report the outcomes of this work in more detail to the Audit Committee once it is completed.
- the Auditor General issued the certificate confirming that the audit of accounts for 2019-20 has been completed.
- key facts and figures from the 2019-20 financial statements can be accessed [here](#).

Well-being of Future Generations Examination – Preventing and tackling Anti-social Behaviour (January 2020)

The examination that we undertook in 2019-20 considered the extent to which the Council has acted in accordance with the sustainable development principle when taking steps to prevent and tackle anti-social behaviour. We concluded that the Council and its partners are committed to tackling anti-social behaviour, although they have not yet set out a long-term vision of how they can tackle its root causes that is informed by the public's views. The full report is available [here](#).

Continuous Improvement

The Auditor General certified that the Council has met its legal duties for improvement planning and reporting, and believes that it is likely to meet the requirements of the Local Government (Wales) Measure 2009 during 2020-21.

Financial Sustainability (August 2020)

During 2019-20 we examined the financial sustainability of each Council in Wales. In August 2020 we published our report which concluded that Newport City Council has a relatively strong financial position, but has recently recognised the need to develop a more strategic and sustainable approach to consolidate its position. The full report is available [here](#).

National Fraud Initiative

In October 2020, the Auditor General published his report on the findings of the latest National Fraud Initiative (NFI) data-matching exercise in Wales. The exercise helped public bodies in Wales, including the 22 unitary authorities, identify fraud and overpayments amounting to £8 million. The report can be accessed on our website [here](#). NFI continues to be developed and in the forthcoming NFI exercise (NFI 2020-2022), local authorities will have access to matches designed to help identify potential fraudulent applications for COVID-19 business support grants.

Environmental Health Services (November 2019)

During 2019-20 we followed up themes and learning identified in our 2014 report **Delivering with less – the impact on environmental health services and citizens**. The report was published in November 2019 and, at that time, concluded that the Council's progress in addressing recommendations to date has been mixed, although the environmental health service plan includes actions aimed to address outstanding recommendations. The Council has ceased provision of all discretionary environmental health services other than those that generate income. The Council has also scaled back provision of some statutory services. The full report is available [here](#).

Other Inspectorates

We also took into account the reports of Care Inspectorate Wales (CIW) and Estyn as well as any subsequent actions taken by the Council in response. CIW, together with Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), Healthcare Inspectorate Wales (HIW), Her Majesty's Inspectorate of Probation (HMIP) and Estyn, carried out a joint inspection between 2 and 6 December 2019 on the multi-agency response to abuse

and neglect in Newport. This was the first pilot inspection in Wales involving five inspectorates reviewing child protection arrangements. The published letter is available [here](#).

CIW also issued a Local Authority Performance Review letter. The letter is [here](#).

Services that are registered with CIW in Newport were subject to regular review and CIW reports can be found [here](#).

As usual, Estyn inspected local schools in Newport and the reports can be found [here](#).

In January 2021, Estyn released a report on **Local authority and regional consortia support for schools and PRUs in response to COVID-19**. This national report covers the ways councils across Wales have adapted their work to respond to the challenges from COVID-19.

Local Government Studies

As well as local work at each council, each year we also carry out studies across the local government sector to make recommendations for improving value for money. Since the last annual improvement report we have published the following reports:

The 'Front Door' to Social Care (September 2019)

We considered the effectiveness of the new 'front door' to social care, looking specifically at services for adults. We found that whilst councils are preventing social-care demand, information, advice and assistance are not consistently effective. The full report can be viewed [here](#).

Review of Public Services Boards (October 2019)

We inspected how Public Services Boards are operating; looking at their membership, terms of reference, frequency and focus of meetings, alignment with other partnerships, resources and scrutiny arrangements. We concluded that Public Services Boards are unlikely to realise their potential unless they are given freedom to work more flexibly and think and act differently.

The full report can be viewed [here](#).

Progress in implementing the Violence Against Women, Domestic Abuse and Sexual Violence Act (November 2019)

We examined how the new duties and responsibilities of the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act are being rolled out and delivered. We found that victims and survivors of domestic abuse and sexual violence are often let down by an inconsistent, complex and fragmented system.

The full report can be viewed [here](#).

Rough Sleeping in Wales – Everyone’s Problem; No One’s Responsibility (July 2020)

We looked at how well public services are responding to the issue of rough sleeping. Overall, we found that responding to COVID-19 is an opportunity for public bodies to start addressing long standing weaknesses in partnership working which has stopped them from tackling rough sleeping in the past.

The full report can be viewed [here](#).

Better Law Making (September 2020)

This report draws on five reports published between 2019 and today looking at how local authorities are responding to the challenge of implementing new legislation. Implementation is a complex task which needs to be fully thought through by the Welsh Government and the Senedd whenever they bring forward and make any new legislation. The paper highlights the difficulties faced by local authorities and their public sector partners in implementing their new responsibilities.

The full report can be viewed [here](#).

Commercialisation in Local Government (October 2020)

Councils have conducted commercial activity for a long time, and many councils are exploring additional commercial opportunities to mitigate against the financial pressures they face. Our report is specifically targeted at helping elected members and senior officers to examine and judge the potential impact on their organisations when considering whether to undertake commercialisation. It will also help councils to demonstrate how well they are discharging their value for money responsibilities.

The full report can be viewed [here](#).

Planned work for 2020-21

We also looked at the key challenges and opportunities facing the Council. These risks could have an effect on the Council’s ability to meet its legal obligations in relation to the sustainable development principle, the use of its resources and continuous improvement.

The most significant risk and issue facing councils and the wider public sector during 2020-21 is the COVID-19 pandemic. We have shaped our work to provide assurance and challenge in a way which helps to support the Council through this period. Our work for 2020-21 includes:

- recovery planning in response to the COVID-19 pandemic;
- COVID-19 learning project – helping to identify and share learning from the way in which public bodies have responded to the pandemic;
- assurance and risk assessment; and
- a review of the Council’s financial sustainability.

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the Senedd.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Senedd Commission and National Health Service bodies in Wales.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities with their own legal functions, as described above. Audit Wales is not a legal entity.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.

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Cyngor Dinas Casnewydd

Crynodeb archwiliad blynyddol 2020

Dyma grynodeb o'n harchwiliad ar gyfer Cyngor Dinas Casnewydd Mae'n dangos y gwaith a gwblhawyd ers yr Adroddiad Gwella Blynyddol diwethaf, a gyhoeddwyd ym mis Gorffennaf 2019. Mae'r crynodeb o'n harchwiliad yn rhan o ddyletswyddau Archwilydd Cyffredinol Cymru.



Mae rhagor o wybodaeth am y dyletswyddau hyn ar gael ar ein [gwefan](#).

Ynglŷn â'r Cyngor

Rhai o'r gwasanaethau a ddarperir gan y Cyngor



Ffeithiau allweddol

Mae gan y Cyngor 50 o gynghorwyr sy'n cynrychioli'r pleidiau gwleidyddol canlynol:

- 31 Llafur
- 12 Ceidwadwyr
- 4 Annibynwyr Casnewydd
- 2 Democrat Rhyddfrydol
- 1 Annibynnol

Gwariodd y Cyngor £313.9 miliwn ar ddarparu gwasanaethau yn ystod 2019-20, sef y seithfed gwariant uchaf o blith y 22 cyngor unedol yng Nghymru.

Ar 31 Mawrth 2020, roedd gan y Cyngor £78.8 miliwn o gronfeydd ariannol wrth gefn y gellir eu defnyddio. Mae hyn yn cyfateb i 25% o wariant blynyddol y Cyngor ar wasanaethau, sef y 5ed canran uchaf o blith y 22 cyngor unedol yng Nghymru. Mae'r cronfeydd ariannol y gellir eu defnyddio yn cynnwys £42.3 miliwn (53.4% o gyfanswm y cronfeydd wrth gefn y gellir eu defnyddio) sydd wedi'u clustnodi ar gyfer dau gynllun Menter Cyllid Preifat.

Ffeithiau allweddol

Bernir bod 23 (24%) o'r 95 ardal yng Nghasnewydd ymhlith y 10% mwyaf difreintiedig yng Nghymru, sef y gyfran uchaf o blith y 22 cyngor unedol yng Nghymru¹.

Rhagwelir y bydd poblogaeth Casnewydd yn cynyddu 11.9% rhwng 2020 a 2040 o 155,763 i 174,290, gan gynnwys cynnydd o 3.6% yn nifer y plant, cynnydd o 8.5% yn nifer y boblogaeth oedran gweithio a chynnydd o 34.3% yn nifer y bobl 65 oed a throsodd².

Dyletswyddau'r Archwilydd Cyffredinol

Rydym yn cwblhau gwaith bob blwyddyn i gyflawni'r dyletswyddau canlynol

- **Archwilio Cyfrifon**

Bob blwyddyn mae'r Archwilydd Cyffredinol yn archwilio datganiadau ariannol y Cyngor i sicrhau bod arian cyhoeddus yn cael ei gyfrifo'n briodol.

- **Gwerth am arian**

Mae'n rhaid i'r Cyngor roi trefniadau ar waith i gael gwerth am arian am yr adnoddau y mae'n eu defnyddio, a rhaid i'r Archwilydd Cyffredinol fod wedi'i fodloni ei fod wedi gwneud hyn.

- **Gwelliant parhaus**

Mae'n rhaid i'r Cyngor roi trefniadau ar waith hefyd i wneud gwelliannau parhaus, gan gynnwys cynlluniau ac adroddiadau cysylltiedig, ac mae'n rhaid i'r Archwilydd Cyffredinol asesu a yw'r Cyngor yn debygol o fodloni'r gofynion hyn (neu wedi gwneud hynny).

- **Egwyddor datblygu cynaliadwy**

Mae angen i gyrff cyhoeddus gydymffurfio â'r egwyddor datblygu cynaliadwy wrth bennu eu hamcanion llesiant a chymryd camau i'w cyflawni. Rhaid i'r Archwilydd Cyffredinol asesu i ba raddau y maent yn gwneud hyn.

¹Diffinnir ardal yn y cyd-destun hwn fel 'Ardal Cynnyrch Ehangach Haen Is'. Ffynhonnell: Stats Cymru

² Ffynhonnell: Stats Cymru



Ers Gwanwyn 2020, mae'r pandemig parhaus wedi effeithio ar ein gwaith archwilio. Rydym yn cydnabod y straen enfawr ar wasanaethau cyhoeddus ac wedi ail-lunio ein rhaglen waith a dod o hyd i ffyrdd newydd o weithio i leihau ei effaith ar ymateb cyrff cyhoeddus i COVID-19, gan barhau i gyflawni ein dyletswyddau statudol.



Er mwyn cyflawni dyletswyddau'r Archwilydd Cyffredinol, rydym yn cwblhau prosiectau penodol, ond rydym yn dibynnu ar waith archwilio arall hefyd, a gwaith rheoleiddwyr fel Arolygiaeth Gofal Cymru ac Estyn (yr arolygiaeth addysg). Rydym yn ystyried canfyddiadau ein gwaith archwilio wrth asesu a yw'r Cyngor wedi rhoi trefniadau ar waith i sicrhau gwerth am arian. Ceir crynodeb o'n canfyddiadau a'n casgliadau isod.

Yr hyn a ganfuwyd gennym

Archwiliad o Gyfrifon 2019-20 Cyngor Dinas Casnewydd

Bob blwyddyn, rydym yn archwilio datganiadau ariannol y Cyngor.

Ar gyfer 2019-20:

- rhoddodd yr Archwilydd Cyffredinol farn ddiamed wir a theg ar ddatganiadau ariannol y Cyngor ar 30 Medi 2020. Roedd hyn ar ôl y dyddiad cau statudol, sef 15 Medi 2020, o ganlyniad i'r pwysau a achoswyd gan y pandemig COVID-19. Cymerodd y Cyngor y mesurau statudol priodol i esbonio'r oedi hwn ar ei wefan.
- paratowyd Datganiad Llywodraethu Blynyddol ac Adroddiad Naratif y Cyngor yn unol â Chod CIPFA a chanllawiau perthnasol. Roeddent hefyd yn gyson â'r datganiadau ariannol a baratowyd gan y Cyngor a chyda'n gwybodaeth ni am y Cyngor.
- roedd ansawdd y datganiadau drafft a gyflwynwyd i'w harchwilio ar 6 Gorffennaf 2020 yn dda ar y cyfan, er bod ein Memorandwm Archwiliad o Gyfrifon wedi nodi rhai meysydd i'w gwella yn y dyfodol.
- gwnaed nifer o newidiadau i ddatganiadau ariannol y Cyngor yn deillio o'n gwaith archwilio, a adroddwyd i'r Pwyllgor Archwilio yn ein Hadroddiad Archwiliad o Gyfrifon ym mis Medi 2020.
- yn ogystal â chyfrifoldebau'r Archwilydd Cyffredinol am archwilio datganiadau ariannol y Cyngor, mae'n gyfrifol am ardystio nifer o ffurflenni a hawliadau grant hefyd. Byddwn yn adrodd yn fanylach ar ganlyniadau'r gwaith hwn i'r Pwyllgor Archwilio unwaith y mae wedi'i gwblhau.
- mae'r Archwilydd Cyffredinol wedi cyhoeddi'r dystysgrif yn cadarnhau bod archwiliad cyfrifon 2019-20 wedi'i gwblhau.
- mae ffeithiau a ffigurau allweddol o ddatganiadau ariannol 2019-20 ar gael [yma](#).

Llesiant Cenedlaethau'r Dyfodol: Archwiliad o Atal a Mynd i'r Afael ag Ymddygiad Gwrthgymdeithasol (Ionawr 2020)

Roedd yr archwiliad a gwblhawyd gennym yn 2019-20 yn ystyried i ba raddau y mae'r Cyngor wedi gweithredu'n unol â'r egwyddor datblygu cynaliadwy wrth gymryd camau i atal a mynd i'r afael ag ymddygiad gwrthgymdeithasol. Daethom i'r casgliad bod y Cyngor a'i bartneriaid wedi ymrwymo i fynd i'r afael ag ymddygiad gwrthgymdeithasol, ond nad ydynt wedi nodi gweledigaeth hirdymor eto, wedi'i llywio gan farn y cyhoedd, ar gyfer sut i fynd i'r afael ag achosion sylfaenol ymddygiad gwrthgymdeithasol. [Gellir gweld yr adroddiad llawn yma.](#)

Gwelliant Parhaus

Ar dystiodd yr Archwilydd Cyffredinol fod y Cyngor wedi cyflawni ei ddyletswyddau cyfreithiol ar gyfer cynllunio ac adrodd ar welliannau, ac mae'n credu ei fod yn debygol o fodloni gofynion Mesur Llywodraeth Leol (Cymru) 2009 yn ystod 2020-21.

Cynaliadwyedd Ariannol (Awst 2020)

Yn ystod 2019-20, buom yn archwilio cynaliadwyedd ariannol pob Cyngor yng Nghymru. Ym mis Awst 2020 cyhoeddwyd ein hadroddiad a ddaeth i'r casgliad bod sefyllfa ariannol Cyngor Dinas Casnewydd yn gymharol gryf, ond yn ddiweddar mae wedi cydnabod yr angen i ddatblygu dull mwy strategol a chynaliadwy o atgyfnerthu ei sefyllfa. [Gellir gweld yr adroddiad llawn yma.](#)

Y Fenter Twyll Genedlaethol

Ym mis Hydref 2020, cyhoeddodd yr Archwilydd Cyffredinol ei adroddiad ar ganfyddiadau ymarfer paru data diweddaraf y Fenter Twyll Genedlaethol (NFI) yng Nghymru. Roedd yr ymarfer yn helpu cyrff cyhoeddus yng Nghymru, gan gynnwys y 22 awdurdod unedol, i nodi twyll a gordaliadau gwerth £8 miliwn. Mae'r adroddiad ar gael ar ein gwefan [yma](#). Mae'r Fenter yn parhau i gael ei datblygu, ac yn yr ymarfer NFI arfaethedig (NFI 2020-2022), bydd gan awdurdodau lleol fynediad at ddata sydd wedi'i baru er mwyn helpu i nodi ceisiadau twyllodrus posibl ar gyfer grantiau cymorth busnes COVID-19.

Gwasanaethau Iechyd yr Amgylchedd (Tachwedd 2019)

Yn ystod 2019-20, fe wnaethom ailystyried y themâu a'r dysgu a nodwyd yn ein hadroddiad yn 2014, sef **Cyflawni â llai – yr effaith ar wasanaethau iechyd yr amgylchedd a dinasyddion**. Cyhoeddwyd yr adroddiad ym mis Tachwedd 2019 ac, ar y pryd, daeth i'r casgliad bod cynnydd y Cyngor wrth ymateb i'r argymhellion wedi bod yn gymysg hyd yn hyn, er bod cynllun gwasanaeth ar gyfer iechyd yr amgylchedd yn cynnwys camau gweithredu oedd â'r nod o ymateb i'r argymhellion oedd ar ôl. Mae'r Cyngor wedi rhoi'r gorau i ddarparu unrhyw wasanaethau iechyd yr amgylchedd dewisol ac eithrio'r rhai sy'n cynhyrchu incwm. Hefyd, mae'r Cyngor wedi cwtogi darpariaeth o rai gwasanaethau statudol. [Gellir gweld yr adroddiad llawn yma.](#)

Arolygiaethau Eraill

Ystyriwyd adroddiadau Arolygiaeth Gofal Cymru (AGC) ac Estyn hefyd, ynghyd ag unrhyw gamau dilynol a gymerwyd gan y Cyngor mewn ymateb. Cynhaliodd AGC, ynghyd ag Arolygiaeth Cwnstabiliaeth a Gwasanaethau Tân ac Achub Ei Mawrhydi (HMICFRS),

Arolygiaeth Gofal Iechyd Cymru (AGIC), Arolygiaeth Prawf Ei Mawrhydi ac Estyn, arolygiad ar y cyd rhwng 2 a 6 Rhagfyr 2019 yn ymwneud â'r ymateb amlasiantaethol i gamdriniaeth ac esgeulustod yng Nghasnewydd. Hwn oedd yr arolygiad peilot cyntaf yng Nghymru a oedd yn cynnwys pum arolygiaeth yn adolygu trefniadau amddiffyn plant. [Gellir gweld y llythyr a gyhoeddwyd yma.](#)

Hefyd, cyhoeddodd AGC llythyr Adolygu Perfformiad Awdurdod Lleol. Mae'r llythyr ar gael [yma.](#)

Roedd gwasanaethau sydd wedi'u cofrestru gydag AGC yng Nghasnewydd yn destun adolygiad rheolaidd, ac mae adroddiadau AGC ar gael [yma.](#)

Fel arfer, arolygodd Estyn ysgolion lleol yng Nghasnewydd, ac mae'r adroddiadau ar gael [yma.](#)

Ym mis Ionawr 2021, cyhoeddodd Estyn adroddiad o'r enw [Cymorth awdurdodau lleol a chonsortia rhanbarthol i ysgolion ac UC Dau i ymateb i COVID-19](#). Mae'r adroddiad cenedlaethol hwn yn ymdrin â sut mae cynghorau ledled Cymru wedi addasu eu gwaith i ymateb i heriau COVID-19.

Astudiaethau Llywodraeth Leol

Yn ogystal â gwaith lleol ym mhob cyngor, bob blwyddyn rydym yn cynnal astudiaethau ledled y sector llywodraeth leol hefyd i wneud argymhellion ar gyfer gwella gwerth am arian. Ers yr adroddiad gwella blynyddol diwethaf, rydym wedi cyhoeddi'r adroddiadau canlynol:

Y 'Drws Blaen' i Ofal Cymdeithasol (Medi 2019)

Ystyriwyd effeithiolrwydd y 'drws blaen' newydd i ofal cymdeithasol, gan edrych yn benodol ar wasanaethau i oedolion. Er bod cynghorau'n atal y galw am ofal cymdeithasol, canfuwyd nad yw gwybodaeth, cyngor a chymorth yn effeithiol yn gyson. Gellir gweld yr adroddiad llawn [yma.](#)

Adolygiad o Fyrddau Gwasanaethau Cyhoeddus (Hydref 2019)

Rydym wedi archwilio sut y mae Byrddau Gwasanaethau Cyhoeddus yn gweithredu; gan edrych ar eu haelodaeth, eu cylch gorchwyl, amllder a ffocws cyfarfodydd, y modd y maent yn cyd-fynd â phartneriaethau eraill, adnoddau a threfniadau craffu. Daethom i'r casgliad nad yw Byrddau Gwasanaethau Cyhoeddus yn debygol o wireddu eu potensial oni bai y rhoddir rhyddid iddynt i weithredu'n fwy hyblyg ac i feddwl a gweithredu'n wahanol. Gellir gweld yr adroddiad llawn [yma.](#)

Cynnydd o ran gweithredu'r Ddeddf Trais yn Erbyn Menywod, Cam-drin Domestig a Thrais Rhywiol (Tachwedd 2019)

Rydym wedi archwilio sut y mae dyletswyddau a chyfrifoldebau newydd y Ddeddf Trais yn erbyn Menywod, Cam-drin Domestig a Thrais Rhywiol (Cymru) yn cael eu cyflwyno a'u cyflawni. Gwelwyd bod dioddefwyr a goroeswyr cam-drin domestig a thrais rhywiol yn cael eu methu yn aml gan system anghyson, gymhleth a thameidiog. Gellir gweld yr adroddiad [yma.](#)

Cysgu Allan yng Nghymru – Problem i Bawb; Cyfrifoldeb i Neb (Gorffennaf 2020)

Edrychwyd ar ba mor dda y mae gwasanaethau cyhoeddus yn ymateb i fater cysgu allan. Yn gyffredinol, gwelwyd bod ymateb i COVID-19 yn gyfle i gyrff cyhoeddus ddechrau mynd i'r afael â gwendidau hirsefydlog mewn trefniadau gweithio mewn partneriaeth sydd wedi eu hatal rhag mynd i'r afael â chysgu allan yn y gorffennol.

Gellir gweld yr adroddiad [yma](#).

Deddfu Gwell (Medi 2020)

Mae'r adroddiad hwn yn defnyddio pum adroddiad a gyhoeddwyd rhwng 2019 a heddiw yn edrych ar sut mae awdurdodau lleol yn ymateb i'r her o weithredu deddfwriaeth newydd. Mae rhoi deddfwriaeth ar waith yn dasg gymhleth, ac mae angen i Lywodraeth Cymru a'r Senedd roi ystyriaeth fanwl i'r dasg hon pan fyddant yn cynnig ac yn gwneud unrhyw ddeddfwriaeth newydd. Mae'r papur yn tynnu sylw at yr anawsterau a wynebir gan awdurdodau lleol a'u partneriaid yn y sector cyhoeddus wrth weithredu eu cyfrifoldebau newydd.

Gellir gweld yr adroddiad llawn [yma](#).

Masnacheiddio mewn Llywodraeth Leol (Hydref 2020)

Mae cynghorau wedi ymgymryd â gweithgarwch masnachol ers amser maith, ac mae llawer o gynghorau'n archwilio cyfleoedd masnachol ychwanegol i liniaru yn erbyn y pwysau ariannol y maent yn eu hwynebu. Mae'n hadroddiad wedi'i anelu'n benodol at helpu aelodau etholedig ac uwch-swyddogion i archwilio a dyfarnu ar yr effaith bosibl ar eu sefydliadau wrth ystyried a ddylid ymgymryd â gweithgareddau masnacheiddio. Bydd hefyd yn helpu cynghorau i ddangos pa mor dda y maent yn cyflawni eu cyfrifoldebau o safbwynt sicrhau gwerth am arian.

Gellir gweld yr adroddiad llawn [yma](#).

Gwaith sydd ar y gweill ar gyfer 2020-21

Edrychwyd hefyd ar yr heriau a'r cyfleoedd allweddol sy'n wynebu'r Cyngor. Gallai'r risgiau hyn effeithio ar allu'r cyngor i gyflawni ei rwymedigaethau cyfreithiol mewn perthynas â'r egwyddor datblygu cynaliadwy, y defnydd o'i adnoddau a gwelliant parhaus.

Y risg a'r broblem fwyaf arwyddocaol sy'n wynebu cynghorau a'r sector cyhoeddus ehangach yn ystod 2020-21 yw pandemig COVID-19. Rydym wedi llunio ein gwaith i roi sicrwydd a her mewn ffordd sy'n helpu i gefnogi'r Cyngor drwy'r cyfnod hwn. Mae ein gwaith ar gyfer 2020-21 yn cynnwys:

- cynllunio adferiad mewn ymateb i bandemig COVID-19;
- prosiect dysgu COVID-19 – helpu i nodi a rhannu dysgu o'r ffordd y mae cyrff cyhoeddus wedi ymateb i'r pandemig;
- sicrwydd ac asesu risg; ac
- adolygiad o gynaliadwyedd ariannol y Cyngor.

Mae'r Archwilydd Cyffredinol yn annibynnol ar y llywodraeth, ac fe'i penodir gan Ei Mawrhydi y Frenhines. Mae'r Archwilydd Cyffredinol yn ymgymryd â'i waith gan ddefnyddio staff ac adnoddau eraill a ddarperir gan Swyddfa Archwilio Cymru, sy'n fwrdd statudol a sefydlwyd at y diben hwnnw ac i fonitro a chynghori'r Archwilydd Cyffredinol. Mae Swyddfa Archwilio Cymru yn atebol i'r Senedd.

Mae'r Archwilydd Cyffredinol yn archwilio cyrff llywodraeth leol yng Nghymru, gan gynnwys awdurdodau unedol, yr heddlu, gwasanaethau prawf, awdurdodau tân ac achub, awdurdodau'r parciau cenedlaethol a chynghorau cymuned. Y mae hefyd yn cynnal astudiaethau gwerth am arian llywodraeth leol ac yn asesu cydymffurfiaeth â gofynion Mesur Llywodraeth Leol (Cymru) 2009.

Y tu hwnt i lywodraeth leol, yr Archwilydd Cyffredinol yw archwilydd allanol Llywodraeth Cymru a'r cyrff cyhoeddus a noddir ganddi ac sy'n gysylltiedig â hi, Comisiwn y Senedd a chyrrff y Gwasanaeth Iechyd Gwladol yng Nghymru.

Archwilio Cymru yw'r enw cyfunol anstatudol ar gyfer Archwilydd Cyffredinol Cymru a Swyddfa Archwilio Cymru, sy'n endidau cyfreithiol ar wahân y mae ganddynt ill dau eu swyddogaethau cyfreithiol eu hunain fel y disgrifir uchod. Nid yw Archwilio Cymru yn endid cyfreithiol.

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg ac yn Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi. We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay.

Mae'r ddogfen hon ar gael yn Saesneg hefyd.

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Report

Audit Committee

Part 1

Date: 25 March 2021

Item No: 8

Subject Internal Audit – Progress against unfavourable audit opinions previously issued [to December 2020] (previous report was to March 2020)

Purpose To inform Members of the Council’s Audit Committee of the progress made by operational managers to implement agreed management actions in order to improve the control environment, minimise risk and obtain a more favourable audit opinion within their service or establishment.

Author Chief Internal Auditor

Ward General

Summary The attached report identifies current progress of systems or establishments which have previously been given an unsatisfactory or unsound audit opinion. Although there will always be concerns over reviews given an unsatisfactory or unsound audit opinion, managers are allowed sufficient time to address the issues identified and improve the financial internal controls within their areas of responsibility.

During **2018/19**, 48 audit opinions had been issued; 10 were *Unsatisfactory*, 1 was *Unsound*.

During **2019/20**, 32 audit opinions had been issued; 6 were *Unsatisfactory*, none were *Unsound*.

During **2020/21** (to December 2020), 12 audit opinions had been issued; 1 was *Unsatisfactory*, none were *Unsound*.

- Proposal**
- 1) The report be noted and endorsed by the Council’s Audit Committee
 - 2) To consider calling in any specific heads of service if members of the Audit Committee feel they require further assurance that improvements will be made to the control environment following unfavourable audit opinions.

Action by The Audit Committee

Timetable Immediate

This report was prepared after consultation with:

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

Signed

Background

1. This report aims to inform Members of the Audit Committee of the status of audit reviews previously given an *unsatisfactory* or *unsound* audit opinion and to bring to their attention any areas which have **not** demonstrated improvements within the financial control environment. The previous report was presented to Audit Committee in September 2020 which related to opinions as at 31 March 2020.
2. Since bringing this report to the Audit Committee there have been 14 reviews which had been given two consecutive *unsatisfactory* or *unsound* audit opinions and these have previously been brought to the attention of the Audit Committee by the Chief Internal Auditor; in each case the relevant Head of Service and Cabinet Member attended a meeting of the Audit Committee.
3. These reviews will now be picked up as part of the audit planning cyclical review and will be audited as part of that process.
4. Where the Internal Audit team comes across obstacles in undertaking follow up work, for example managers stating that the issues will be addressed by the implementation of a new system, the Chief Internal Auditor will take a view as to the usefulness of a follow up review at the time and report back to the Audit Committee.
5. Definitions of the audit opinions are shown at Appendix A

History of unfavourable audit opinions

6. In **2015/16**, 34 audit opinions were issued; 8 of which were deemed to be *Unsatisfactory*; a summary of the significant issues has previously been reported. One report has not yet been followed up.

	Original Opinion / Date of follow up	Current Status
Joint Venture – Newport Norse	Unsatisfactory 2015/16 Follow up: 2020/21	Not yet followed up. Delay in finalising original report. Senior Managers requested follow up to be put back due to the independent CIPFA review. Now planned for 2020/21 – Qtr 4.

7. In **2016/17**, 35 audit opinions were issued; 5 were deemed to be *Unsatisfactory*, 1 was *Unsound*. One report has not yet been followed up.

	Original Opinion / Date of follow up	Current Status
Payment Card Industry Data Security Standards	Unsatisfactory *1 July 2016	Now within SRS monitored by the Information Governance Group.

*1 Still a number of actions outstanding which require work by the Shared Resource Service (SRS). These are behind due to the current workload of the SRS which includes a large number of projects. The matter is on the agenda and being monitored by the Council's Information Governance Group.

8. In **2017/18**, 40 audit opinions were issued; 6 were deemed to be *Unsatisfactory*, none were *Unsound*. 4 out of the 6 have been followed up; 3 of which have resulted in a more favourable audit opinion. Two reports have not yet been followed up.

	Original Opinion / Date of follow up	Current Status
SGO / Kinships	Unsatisfactory March 2018	See 2019/20 table
Trips & Visits (Evolve)	Unsatisfactory March 2018	Unsatisfactory March 2019 (previously Head of Service attended Audit Committee) Follow up 2021/22
Outside Preferred Catering Contractor (Schools)	Unsatisfactory March 2018 2021/22 A follow up audit is subject to the School entering into a new contract.	

9. In **2018/19**, 48 audit opinions had been issued; 10 were deemed to be *Unsatisfactory*, 1 was deemed to be *Unsound*. 6 audits have been followed up which resulted in more favourable opinions.

	Original Opinion / Date of follow up	Current Status
General Data Protection Regulation (GDPR)	Unsatisfactory November 2018 Final	Reasonable Final February 2020
Subject Access Requests	Unsatisfactory November 2018 Final	Incorporated within GDPR follow up audit above.
SRS Client Relationship Management	Unsatisfactory	Reasonable

	Original Opinion / Date of follow up	Current Status
	December 2018 Final	September 2019 Final
Adoption Allowances	Unsatisfactory September 2019 Final	To be followed up in Q4 of 2020/21
Commercial & Industrial Property Portfolio	Unsatisfactory July 2019 Final	Follow up audit started in Q3 of 2020/21 - ongoing
Highways	Unsatisfactory August 2019 Final	To be followed up in Q4 of 2020/21
Vehicle Tracking System & Usage	Unsatisfactory October 2019 Final	Follow up 2021/22
Street Cleansing	Unsatisfactory August 2018 Final	Reasonable November 2019 Final
Trips & Visits (Evolve System) (Follow-Up)	Unsatisfactory May 2019 Final	Follow up 2021/22
Caerleon Comprehensive	Unsatisfactory October 2019 Final	Due to Covid Pandemic to be followed up in 2021/22
Bridge Achievement Centre (PRU)	Unsound February 2019 Final	Reasonable September 2020 Final

10. In **2019/20**, 32 audit opinions had been issued; 6 were deemed to be *Unsatisfactory*, none were deemed to be *Unsound*.

	Original Opinion / Date of follow up	Current Status
Grounds Maintenance (2018/19)	Unsatisfactory July 2019 Final	Reasonable December 2020 Draft
Passenger Transport Unit - Taxi Contracts (2018/19)	Unsatisfactory October 2019 Final	Follow up 2021/22
Corporate Governance	Unsatisfactory December 2020 Final	Follow up 2021/22
SGO / Kinship Payments (Follow Up)	Unsatisfactory March 2020 Final Previous Unsatisfactory opinion May 2018	2nd consecutive Unsatisfactory opinion Head of Children and Young People and the Service Manager attended Audit Committee in January 2021. Audit follow up Q4 2020/21
Children & Families Imprest Account	Unsatisfactory March 2020 Final	Audit follow up Q4 2020/21
Gwent Music Support Service	Unsatisfactory January 2020 Final	Head of Service (Chief Education Officer) and the Service Manager invited to attend Audit Committee March 2021 Audit follow up Q4 2020/21

11. In **2020/21**, to December 2020, 12 audit opinions had been issued; 1 was deemed to be *Unsatisfactory*, none were deemed to be *Unsound*. A summary of the significant issues of the City Dogs Home report follows in the tables:

	Original Opinion / Date of follow up	Current Status
Newport City Dogs Home	Unsatisfactory Final December 2020	Follow up 2021/22

a. Newport City Dogs Home

Ref.	CRITICAL
	No critical weaknesses were identified during this audit.

Ref.	SIGNIFICANT
1.07	Dog Health Record Cards held at the Dogs Home failed to evidence that dogs received by the home had been subject to appropriate checks, including assessment for any obvious trauma.
1.08	No evidence was available to confirm that action taken in respect of dogs received at the Dogs Home had been subject to appropriate assessment and authorisation.
1.09	No inventory of equipment and stock was held at the Dogs Home and donations received were not recorded.
3.02	Claims for additional hours and overtime had not been correctly or fully completed and had been processed for payment without appropriate authorisation.
3.03	In the absence of signing in/out sheets, the attendance/working of contracted hours had not been documented and monitored for all employees.
3.04	The designated fleet vehicle had been regularly used by a member of staff to travel to and from work and not only for official Council business. No tax deductions had been made.
3.05	Sickness details, Self-Certification and Return to Work information was not always recorded on iTrent. When it was, it was not always accurate and entered promptly. Management action taken was not in accordance with the Management of Attendance Policy.
3.06	Clear Review accounts were not held for all permanent members of staff at the Dogs Home and check in meetings were not conducted on at least a monthly basis.
3.07	Staff had not received training which was appropriate to their job role. Namely: Dog Handling Animal Care Information Security Training Manual Handling PPE COSHH First Aid Lone Working Noise Awareness Conflict Management Financial Regulations (more than 8 years ago)
4.02	Risk assessments (where completed) were not specific, had not been regularly reviewed or properly recorded, did not address the risks of volunteers and visitors to the site and no evidence was held to confirm that all staff and volunteers had seen or been made aware of them.
4.03	The Dogs Home had no fire or smoke alarms, no emergency lighting was installed, staff and volunteers had not received fire safety training, fire safety records were not properly maintained and there were no recorded fire drills or practices.
4.04	A lone worker procedure was not in place to ensure the safety of staff, the risk assessment completed had not identified the associated risks and no records were held of control measures being checked.

Ref.	SIGNIFICANT
4.05	There was no evidence that a noise risk assessment had been completed or that hearing protection zones had been properly assessed by an appropriate professional. There were also no records to confirm that routine checks had been completed to ensure that staff were using the hearing protection correctly.
4.06	There was no evidence that staff activities had been properly reviewed to identify all potential manual handling risks and the potential harm that they represented.
4.07	Measures were not in place to ensure that the risk from exposure to hazardous substances or materials was minimised.
4.08	Maintenance and security arrangements were inadequate and had not been reviewed on a regular basis.

General

12. Internal Audit will continue to revisit any areas which have been given an *Unsatisfactory* or *Unsound* audit opinion within a twelve month timescale.
13. 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.
14. 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* / *Unsound* audit opinions.
15. 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

Financial Summary

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

Risks

17. 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. The 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.
18. Newport 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.
19. Reduced audit staff reduces the audit coverage across service areas which provides reduced assurance to management.

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?
Audit Plan not completed	M	M	Passed potential management issues back to management; Agency staff taken on board to cover longer term vacancies.	Chief Internal Auditor

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

20. 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.

- To make our city a better place to live for all our citizens
- To be good at what we do
- To work hard to provide what our citizens tell us they need

Options Available

21. This is a factual progress report and therefore there are no specific options, as such. The six monthly reports provide a mechanism for providing assurance on 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; that improvements are being made and where appropriate service managers and Heads of Service are held to account where expected controls are not as good as they should be.

Preferred Option and Why

22. N/A

Comments of Chief Financial Officer

23. This report is compiled on behalf of the Head of Finance. Areas of unsatisfactory / unsound audit opinions are a concern. Having highlighted issues, it is expected that local managers implement appropriate improvements as soon as they can. Further on-going unsatisfactory / unsound opinions are then of even more concern and the Committee will need to come to a view, having made enquiries of the Chief Internal Auditor, what, if any further action may be required. For example, they may request that the relevant Head of Service and service manager come to a future meeting to explain the lack of progress and what changes they have planned and timescales.

Comments of Monitoring Officer

24. There are no legal implications. The report has been prepared in accordance with the Council's internal audit procedures and the Performance Management framework.

Comments of Head of People and Business Change

25. There are no direct Human Resources issues arising from this report. As part of the Well-being Future Generations Act, Internal Audit is a critical function within the Council to provide independent assurance over the Council's governance, internal control and risk management arrangements. This report highlights the improvements required by the Council to improve key controls and to mitigate the risks in those key financial and non-financial systems which will enable ongoing compliance with legislation and deliver the Council's Corporate Plan and Well-being objectives. The Corporate Management Team will monitor closely those areas deemed to be unsatisfactory or unsound so that the issues identified are addressed.

Comments of Cabinet Member

26. N/A

Local issues

27. N/A

Scrutiny Committees

28. N/A

Equalities Impact Assessment and the Equalities Act 2010

29. 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.

30. As this is a progress report on performance and audit opinions there is no need for an Equalities Impact Assessment. All audits are undertaken in a non-discriminatory manner.

Children and Families (Wales) Measure

31. N/A

Wellbeing of Future Generations (Wales) Act 2015

32. 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

33. 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


34. N/A

Background Papers

35. N/A

Dated:

INTERNAL AUDIT SERVICES – OPINION DEFINITIONS

	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

Report

Audit Committee

Part 1

Date: 25 March 2021

Item: 9

Subject Draft Work Programme

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

Author Democratic & Services Officer

Ward General

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

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

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

Action by Audit Committee

Timetable Immediate

Background

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

Attached at Appendix 1 is the forward work programme for this Committee. Below are the items scheduled to be presented at the Committee's next two meetings. Committee Members are asked to endorse this schedule, confirm the list of people they would like to invite for each item, and indicate whether any additional information or research is required.

28 May 2021
Appointment of Chairman
Corporate Risk Register Quarter 4
SO24/Waiving of Contract Sos: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract Sos (Quarter 4, Jan to March)
Annual Governance Statement
Internal Audit Annual Report 2020/21
Internal Audit Annual Plan 2021/22
Treasury Management Year End Report 2020/21
Draft Financial Accounts 2020/21
Referrals to Audit Committee

29 July 2021
Statement of Accounts 2020/21
Audit of Financial Statements Report 2020/21
SO24/Waiving of Contract Sos: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract Sos (Quarter 1, April to June)
Corporate Risk Register (Quarter 1 April to June)

Comments of Chief Financial Officer

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

Comments of Monitoring Officer

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

Staffing Implications: Comments of Head of People and Business Change

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

Background Papers

None.

Appendix 1

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

28 May 2021
Appointment of Chairman
Corporate Risk Register Quarter 4
SO24/Waiving of Contract Sos: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract Sos (Quarter 4, Jan to March)
Internal Audit Annual Report 2020/21
Internal Audit Annual Plan 2021/22
Treasury Management Year End Report 2020/21
Draft Financial Accounts 2020/21
Referrals to Audit Committee

29 July 2021
Statement of Accounts 2020/21
Audit of Financial Statements Report 2020/21
SO24/Waiving of Contract Sos: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract Sos (Quarter 1, April to June)
Report on Audit Committee Self Evaluation Exercise
Corporate Risk Register (Quarter 1 April to June)

30 September 2021
Progress Against Internal Audit Plan 2020/21 Quarter 1
Public Sector Internal Audit Standards – External Review
Audit Enquiries Letter 2020/21
Referrals to Audit Committee

28 October 2021
Internal Audit Plan 2020/21– Progress (Quarter 2)
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 2, July to September)
Corporate Risk Register (Quarter 2 July to Sept)
Treasury Management Report
Lessons Learned 2020/21
Referrals to Audit Committee

27 January 2022

Internal Audit Plan – Progress (Quarter 3)

Financial Memorandum on the 2020-21 Financial Audit

Treasury Management Report

Internal Audit Unsatisfactory Audit Opinions (6 monthly report)

Referrals to Audit Committee

31 March 2022

Corporate Risk Register (Quarter 3) & Risk Appetite Statement

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

WAO Annual Report on Grants Works 2019-20

Annual Governance Statement (draft statement)

Member Development Self Evaluation Exercise

Referrals to Audit Committee