

Minutes



Governance and Audit Committee

Date:	28 July 2022
Time:	5.00 pm
Present:	Co-opted Members G Chapman (Chair), D Reed and Dr Barry Councillors R Mogford, J Jordan, S Cocks, Harris and Horton
Apologies:	No apologies

1 **Declarations of Interest**

None received.

2 **Minutes of the Last Meeting: 26 May 2022**

The Minutes of the previous meeting were accepted subject to the following:

Dr Barry Co-Opted Member referred to the Actions taken and suggested that the actions be tracked, which was good practice to have in the minutes as well as an action log to see what was happening after each meeting.

The Chief Internal Auditor added that the actions from the previous Minutes were noted on item 17 in the Minutes, which would start the log going forward, therefore any additional actions would be noted. Dr Barry referred to two items that she had noted for the Action Table on the Audit Charter and the Fairness Commission.

3 **Corporate Risk Register Quarter 4**

Before the report was discussed, the Head of People, Policy and Transformation reminded those present that training on risk would be provided prior to the next meeting.

The Council's Corporate Risk Register monitored those risks that may prevent the Council from achieving its Corporate Plan or delivering services to its communities and service users in Newport. Risks were identified by Heads of Service and went through a service planning process and this was the result of the escalation of those risks by senior managers. The full risk register was attached.

The responsibility of this Committee was to ensure that the processes in place for identifying risks was robust and operating correctly, rather than the detail of the risks themselves.

At the end of quarter four, there were 16 risks recorded in the Corporate Risk Register that were considered to have a significant impact on the achievement of the Council's objectives and legal obligations. At the end of quarter 4 there were no corporate risks closed and two risks (In-year Financial Management & Safeguarding Risk) de-escalated from the Corporate Risk Register.

Overall, there were nine Severe risks (risk scores 15 to 25) and seven Major risks (risk scores 7 to 14) that were outlined in the report.

The role of the Governance and 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.

Comments from the Committee:

Dr Barry, Co-opted Member appreciated the work that had been undertaken, which was clear, however one concern was that in the risk register was the action name and the action description, which were much of the same thing. It did not say what was being done in relation to the action and when. The Co-opted member referred to the first action as an example, the action name was to increase and improve Newport's urban tree coverage and the action description was to increase and improve Newport's urban tree coverage. The Head of People, Policy and Transformation thanked the Co-opted Member for her comment and explained that the risk information was gathered from a format system called MI Hub however the comments section showed what was currently happening in relation to the risk. What had been avoided for the Committee was a separate report that did not come out of the automated system, which was the reason for the duplication. To clarify the Co-opted Member asked was the comment the direction of the risk, which was the case, however, the suggestion to approve the layout of the actions would assure members of the Committee about what was being done and when. The Performance Research Business Partner, did advise that the comments would be taken on board to see how they could be improved and that there was a meeting taking place next month to look over the report and as part of the new service planning process would see if they could update the report to include comments against those actions raised by the individual officers. To conclude, every Quarter, the risk owners were asked to provide a commentary update in terms of why a risk has increased or decreased or stayed the same and the risk action owners have to provide an update in terms of the risk and mitigating actions each quarter.

D Reed, Co-opted Member referred to page 22 and the pressure in relation to housing homelessness and the number of Ukrainian evacuees that were coming in to Newport. Had this also been factored into the risk and was there a total figure of evacuees and the pressure as a result of this. The Head of People, Policy and Transformation thanked the Co-opted Member for raising an important point and referred to the commentary that the pressures on accommodation would be exacerbated as a result of this and that the numbers would be difficult to be specific on because people from Ukraine were coming in from the 'Homes for Ukraine' scheme and were at the time being, often in temporary accommodation, waiting to go to a nominated house. It was therefore difficult to quantify but was being factored in on a monthly basis.

In response to D Reed's query about those Ukrainians staying at the Queen's Hotel, were provided accommodation through the 'Homes for Ukraine' scheme on a temporary basis.

Councillor Cocks referred to page 25 and asked why the Equalities Impact was not applicable and looked to Page 20 as an example. The Committee's role was to ensure and monitor the culture and values were being fulfilled and as part of the process, the legal obligations under the Equalities Act also made sure that certain groups were not discriminated against. What became clear as a result of the pandemic, was that ethnic minorities were greatly impacted upon. In addition, the Out of County Placements, Additional Learning Needs for Children and Social Services provision. Some groups were therefore affected more. Was there any evidence to show this imbalance and was it being monitored and addressed? The Head of People, Policy and Transformation, who was also the Council's Equalities Lead agreed that this was important and provided an example for Covid where the Council provided a community impact assessment, which could be circulated, on how individual groups and different communities were affected. The Equalities Impact

Assessment however was specifically around a Decision. This report was not around a Decision, it was about the risk and the risk processes. There were a number of reports that focussed on equalities issues and there was an Equalities Annual Report which was currently being compiled, every Decision Report would have to have an Equalities Impact Assessment. The Head of People, Policy and Transformation could make the wording clearer to show where equalities Decisions were logged which was against that decision.

The Chair commented on some of the key issues was that training for the Committee would need to be undertaken to show that there would be issues that would come to this Committee that would be decided elsewhere, such as Cabinet or discussions for other Committees such as Scrutiny. Training could therefore tease out these issues and improve the system, where it was needed.

Secondly, the Quarter 4 scenario, are the risks re-evaluated on an annual basis, as there was the cost of living crisis and the energy crisis which were real risks and would these be picked up as part of the exercise moving forward when the risk register came up for review. The Performance Research Business Partner explained that this would be the case and that service areas were asked to review their own plans and risks, under a new Corporate Plan therefore it was a continuous process. As part of the Corporate Risk Register, new and emerging risks would be looked into. It would however take time to get this completed to support the new Corporate Plan which would be in place later this year. Every Quarter we seek assurance from all of the service areas, if there are new or emerging risks throughout the year and reiterated therefore that this was a continuous process carried out by the Council to manage any risks that were captured such as the cost of living and energy crisis. The Head of People, Policy and Transformation also added that this report was one slice of management, every service plan would log and identify each risk in relation to their service delivery and this was the top slice, making sure that we were expecting and managing risks. There were very many layers to this and this was a way of ensuring that the top level were doing things right.

D Reed, Co-opted Member referred to page 47, the education of out of county placements and asked was there a successful bidder already in place as we were close to September and would this have an impact on risk to numbers. The Performance Research Business Partner would look into this with Education Services and report back, following the Quarter 1 review.

Dr Barry, Co-opted Member commented on the housing issues and asked where was the strategic overlook? There were a number of actions which did not all add together. The Performance Research Business Partner took the points on board about having more of a strategic view however, this was only a snapshot of what went on regarding risk management and risk appetite. Processes would be looked into as part of the new Corporate Plan and provided for the Committee. The Corporate Risk Register was presented to the Council Executive Board who would determine whether the risks were accurately reflected. Additionally, the Executive Board would challenge risks and challenge officers consistently to reduce the risk for the organisation and manage any controls in place.

Resolved:

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

4 **Regulatory Reports 21/22 Update**

The Head of People, Policy and Transformation advised the Committee that this was a relatively new Report, in May 2021, the Governance and Audit Committee updated its Terms

of Reference to align with the Local Government & Elections (Wales) Act 2021. In its Terms of Reference, one of the Audit Committee's function was to:

Receive and consider inspection reports from external regulators and inspectors and to make recommendations and where necessary monitor implementation and compliance with agreed action plans.

The Council had three external regulators: Audit Wales, Care Inspectorate Wales and Estyn; each responsible for providing assurance that the Council was fulfilling its statutory duties and providing value to the public. This report covered the regulatory activity undertaken in last six months (October to March) of 2021/22 financial year. Where recommendations were raised for local authorities to consider, an overview of the Council's action(s) was included in the report.

Similar to the last report, actions on these were covered elsewhere; for example, the Education Service would consider their actions as part of their service planning.

There were three local reports from Audit Wales, these were audit of accounts, Cremation Committee and the improving reporting audit. There was one national review on many authorities in Wales including Newport, as well as a small number of reviews ongoing. The National reviews were building resilience, self-reliance in citizens, poverty review, these around springing forward regarding a Covid themed review. There were also local reviews into the Newport Intelligence Hub, which was almost completed and workforce planning, once they were completed would be reported back to the Committee.

Further actions were highlighted within the report to the committee, including focused reports on St Julian's School, Lliswerry School and the Bridge Achievement Centre.

Comments from the Committee:

The Chair mentioned that this was similar to the point made earlier where a lot of detail was evident in other service plans, however it was not easy to navigate where to look for the information. Whilst the position statements were all good in narrative form, they said little in reality as to what was happening. The Chair referred to the first item in regard to the Care Inspectorate Wales report and early healthcare, the report identified 17 actions. The narrative was there in regard to the position statement as part of the corporate plan and service development plan, but what was actually being done about these actions, who was monitoring them and was there a valid waiting progress around that recommendation. It was not a criticism however the issue in relation to the schools where they were taken out of special measures or Estyn monitoring, how did the Committee know they were going to improve, rather than make the same mistakes again, therefore was the Council continuing to monitor progress to ensure that action was being taken. Dr Barry, Co-opted Member agreed with the Chair's comments and picked up the same point on care and support of disabled children. The Head of People, Policy and Transformation advised that this was a new report to the Committee, with no previous similar collation of the reports. They were reported within their own governance remit, whether that would be Cabinet/Cabinet Member or committee meeting that was appropriate and that these issues were monitored by service management and Cabinet Member portfolios, depending on the level of recommendation. These issues were therefore picked up elsewhere, monitored within services plans and picked up through scrutiny at the end of year and sometimes mid-year point. It was difficult to provide a meaningful composite report that spoke to the Committee without it being up to 100 pages long. Some of the issues were national and did not wholly relate to Newport City Council and of the 17 recommendations, only four were relevant to Newport. It was easier to see that the Education issues were targeted as us, St Julian's was an example and speaking from experience as a Chair of School Governors when it went into special measures, there were rigorous checks on inspection activities on all levels, with partners of EAS and the Cabinet Member. With regard therefore to this report, it was a case of getting it right and providing a

sense of what happened. We could add where those decisions were monitored to cross reference the services, however, we also had a Scrutiny Committee to directly scrutinise those pieces of work.

Dr Barry, Co-opted Member added that the Committee was seeking reassurance that something was happening, which only needed to be added as a couple of lines to clarify if recommendations were being taken forward. The Head of People, Policy and Transformation took the comments on board and added that some of the actions were long term again, St Julian's was in special measures for three years. These issues therefore could not be fixed in a quarter. They could often refer to changes of policy and strategy, which needed to be considered in the new corporate plan and other recommendations were direct and could be actioned quickly. There was something about the timing of this and there was another report coming to the Committee soon and the actions could be long term. The Committee was right to ask these questions, unfortunately most answers were not immediate.

The Chair understood and mentioned that this was a learning lesson for the new Committee, with new members. It was however, the assurance that the Committee needed, where recommendations were being made by national regulators such as Estyn was that they were being taken seriously and that there was evidence to back this up from the Council. A breakdown therefore of the relevant 17 actions could be captured in the report, without calling in the Director of Social Services, for example to discuss how the 17 actions were being addressed. A discussion outside this forum on how to get more meat on the bone as it were rather than having a lot of narrative that meant very little.

Councillor Jordan referred to the Estyn report and that there would be a breakdown of the measures and who they were being addressed, which was informative. With regard to the Bridge Achievement Centre there was a lot of work to be done and it had come out of special measures after four years.

Resolved:

The Governance and Audit Committee considered and noted the contents of this report of the regulatory activity completed in 2021/22 and the assurances that where recommendations were raised, the Council was taking necessary action.

5 Statement of Accounts 2021/2022

The Assistant Head of Finance went through the report for the Committee. The Governance and Audit Committee was required to approve the final audited Statement of Accounts, which was scheduled for October this year. This report provided a copy of the draft accounts, which was signed by the Section 151 Officer (Head of Finance) and passed over to Audit Wales, who would undertake their audit of the accounts during the coming months. It was anticipated that a final, audited, set of accounts would be presented at the October meeting of the Governance and Audit Committee for committee approval.

The bulk of the report came from the Appendix, there was however a cover report which the Assisted Head of Finance highlighted for the Committee, this provided the background and the process of signing off the report. There was a table of dates which would be of interest to the Committee. It was noted that there was a shift in one of the dates since the report was drafted. The public inspection would therefore commence on 15 August and not 8 August. The 27 October date would not move as this was formally agreed for the next Committee meeting.

The covering report highlighted the experiences when providing the accounts, this was in relation to the Pandemic. There was also reference to the finance service and the impact

created due to the workload, this was slightly delayed which was not an unusual occurrence to happen in most authorities.

Comments from the Committee:

Councillor Jordan went through the total expenditure for 2022-23 on page 88 and asked why the amount was £11.5M, whereby previous years, the sum was quite low, by comparison. The Assistant Head of Finance advised that there was an actual cost and budgeted cost. One of the main aspects of capital finance and capital reporting was that there was slippage, therefore a capital programme could extend across multiple years. Finance set a budget with a five year window based on the anticipated spend each year. Ultimately, schemes would slip, the pandemic was a factor and could also include factors such as weather and school building project if there was a delay, or underestimating the planning for the period. Slippage was a common occurrence and what had happened on this occasion was that we had an ambitious capital programme which had seen an increase in the anticipated spend because of the delivery of a number of high profile schemes which had pushed on the spending a number of years. This was the highest spending by the Council in 2022-23 and this was acknowledged, at the moment we're looking at re-profiling to reduce to a more realistic deliverable figure in this financial year. When we report our first capital monitoring position, which would go to Cabinet in September, what you would see is a product of that re-profiling exercise. As a result that would go down and shifted into future years. One of the high-profile schemes was Bassaleg High school scheme and this would be monitored and adjusted accordingly.

Councillor Cocks referred to page 86 regarding the staff savings during the pandemic where some services not running at the time. In light of this, was there a backlog of services and projects because of the pandemic and what was the process of looking at this and a strategy in place to address this. The Revenue underspend would not be rolled forward as it would with capital underspend however funding would be ear marked for specific purposes, in terms of where there might be a backlog. There was a process around this and for the 2022-23 revenue budget there was a covid risk mitigation fund. For the previous two years, the WG had provided a hardship fund to cover those additional costs and that ended for 2022-23. The Council therefore created its own internal fund which would be used on a priority basis to address legacy issues, one of which was backlog issues in service delivery additional funding could be applied for and funding could be allocated. This was seen in some of the schools. There was a mixed approach but was being acknowledged and monitored.

D Reed, Co-opted Member referred to pensions on page 92 and the £72M dip for this financial year was this a one off occurrence or was it a trend. The Assistant Head of Finance advised that some of the explanation was there and there was a reduction in liability, which was a positive move. A lot of this was around performance and investments, going forward it was difficult to see how it would go, with the current economic situation. Interest rates had started to incrementally increase and it was anticipated to increase further and there was a potential for funding would perform well. There were two elements, the other element was future liability as life expectancy increased, liability increases, it was therefore reasonable to say that investment might not perform as they had. The Head of Finance advised that this would be a long term liability looking at a 20 year horizon in terms of employer/employee contribution rates and in terms of managing the funds over that time horizon. It was important to say that we would be looking at this over the long term in dealing with the evaluation at present. The Co-opted Member asked if that had any impact on the usable reserves. The Chief Accountant and Project Manager advised that this was a long term commitment to liability. This year was unusual on the back of the previous financial year, this was therefore a rebalancing of the equity portfolio based on the Stock Market crash as a result of pandemic. This was however bouncing back into a state of normality but taking into context the previous dip from the last year.

The Chair asked given that the draft Statement of Accounts was submitted to Audit Wales, was there a notice published by Newport City Council that if anyone wanted to raise any issues about the statement of accounts they could do so with Audit Wales through Newport City Council? The Chief Accountant and Project Manager advised that Finance were in the process of putting formal notification on the notice board at main reception and through the customer contact centre and published on internet signposting people on how to access this.

Resolved:

That Committee noted the draft 2021/22 Statement of Accounts.

6 Internal Audit Annual Plan 2022/23

This Chief Internal Auditor informed the Committee that this was the revised Internal Audit Plan for 2022-23 following a review at the last Committee meeting in May. The attached report was therefore the Operational Internal Audit Plan for 2022/23 based on an assessment of risk and available audit resources for the 12 months of the financial year.

The draft Internal Audit Plan previously presented to Governance and Audit Committee, was over-planned and under-resourced. It had since been reviewed and allocated to the Council's new service area structure. Audit work was further prioritised and resources recalculated to include the support from an external resource. The proposed planned audit days to be delivered in 2022/23 now reconciled with the available audit resources. The plan was therefore based on delivering 1073 audit days.

Internal auditing was an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, effective and efficient use of the Council's resources.

The Council's Section 151 Officer has the legal responsibility for the provision of Internal Audit.

Comments from the Committee:

The Chair considered that the report was about ensuring flexibility for Internal Audit to move their workloads should some issues become a priority. Now that this had been addressed, Internal Audit were able to accommodate any changes going forward.

Councillor Jordan referred to Gwent Music Service which was high risk, was there an update on this. The Chief Internal Auditor advised that it was in the plan and a position statement had been requested from the service manager and will be reported back to committee with the revised audit opinion in due course.

Resolved:

The Revised Internal Audit Annual Plan 2022/23 was noted and approved by the Council's Governance and Audit Committee

7 SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 3, October to December 2021)

The report provided details of decisions on the use of Standing Order 24 (decisions taken urgently) or the Waiving of Contract Standing Orders for the above period.

In consideration of this report, Members were reminded that they were not questioning the merits of the decisions taken but were focussing on why decisions were taken as urgent or why contract standing orders needed to be waived.

The Chief Internal Auditor provided background information on the reviewing of Cabinet Member Urgent Decisions and their reason for urgent decisions being explained at the Committee as well as the Waiving of Contract Standing Orders (CSOs).

The Waiving of Contract SOs referred to The Housing Support Grant, the report attached had the Chief Internal Auditor's comments to the column on the right. On this occasion there was no need to call-in officers or Cabinet Members but to note the report.

Comments from the Committee:

Dr Barry, Co-opted Member queried that the review and new way of commissioning would be completed by the time the extended contracts would come to an end. The Chief Internal Auditor would look into this and get back to the Committee.

The Chair mentioned that given the report was October 2021 the length of time taken to get to the Committee there was little that could have been done in any event should anything had arisen. The Chair therefore asked was this done in a timely manner. Secondly, whilst the urgency provision was used, lots of the contracts had been in place for five or six years. Therefore surely the managers would have known that this was coming to an end. In light of this, was there anywhere in the organisation a contracts register which would have flagged these issues up. The Chair would want to be assured that these were going through the correct process before March 2023 and that the Committee did not want another urgent report. Were the Head of Finance and Monitoring Officer content in dealing with the issue. The Chief Internal Auditor explained that these reports would come to the Committee on a quarterly basis. This report had unfortunately slipped through the net and was not reported in the appropriate quarter. On the second point yes, there was a corporate contract register and the Chief Internal Auditor would check that the contracts were on there. This was a valid comment to justify calling in the Cabinet Member and officer to explain why there was a delay in renewing those particular contracts. The Chair mentioned that it put the relevant officers and Council in a very difficult position and there were processes in place that people needed to comply with. The Chair would be guided by the Chief Internal Auditor on whether the Cabinet Member and Head of Service should be called to Committee, however the Chair wanted reassurance not to be in the same state as 12 months ago. The Chief Internal Auditor would contact the Head of Service regarding this issue and would get a status report and would bring back to committee.

Resolved:

- The Committee considered whether the reasons for the urgency/waiving of contract standing orders and noted the decision.
- The Committee requested clarity on the matter by way of an update at the next Committee as the works had already been extended.
- The Committee put a marker down to not see this as a regular occurrence, otherwise the relevant Cabinet Member and Head of Service would be called in to justify the reasons for their actions.

8 **Work Programme**

The purpose of a forward work programme was to help ensure Members achieve organisation and focus on the undertaking of enquiries through the Governance and 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.

Comments from Committee:

Councillor Cocks asked as a new member of the Committee how the work programme was set out and the contribution between officers and members. The Head of Finance explained that the work programme was in relation to regular running reports that would be on the agenda throughout the year as well as the flexibility to add items should the committee wish, arising from discussions at future meetings.

9 **Actions Agreed**

Item/Raised by	Subject	Responsible Officer	Action Outcome
Minute Item: 12 Raised by: Dr Barry (Co-opted Member)	Internal Audit Charter Revised and Updated (from Minutes of 26 May) Dr Barry commented on paragraph 2.10 line 4 on strategic management and whether this referred to the strategic management team. The Chief Internal Auditor would look into this and feedback.	A Wathan	
Minute Item: 13 Raised by: Dr Barry (Co-opted Member)	The Fairness Commission (from Minutes of 26 May) Dr Barry requested that the action be reinstated from the previous meeting.	A Wathan/T Mckim	
Agenda Item 4: Raised by: T McKim (Head of People, Policy and Transformation)	Risk Training to be arranged before the next Governance and Audit Committee meeting on 29 September 2022.	T McKim	
Agenda Item 4: 1. Raised by: Dr Barry (Co-opted Member)	Corporate Risk Register: Quarter 4 1. Action Name and Action Description were the same, example was outlined on Page 2 of the Minutes. Comments	1. P Flint	1.

<p>2. Raised by: Councillor Cocks</p> <p>3. Raised by: D Reed (Co-opted Member)</p>	<p>would be taken on board to see how the layout could be improved. Meeting taking place next month to look over the report as part of the new service planning process. Updating the report to include comments against those actions raised by the individual officers would be considered.</p> <p>2. Query as to why an Equalities Impact Assessment was not included in the report as it was the duty of the Committee to ensure these values were fulfilled. Wording made clearer to show where equalities Decisions were logged which was against that decision.</p> <p>3. Page 47 Education of out of county placements: Was there a successful bidder already in place as September almost upon us and would this have an impact on risk to numbers. Would look into this with Education Services and report back, following the Quarter 1 review.</p>	<p>2. T McKim</p> <p>3. T Mckim</p>	<p>2.</p> <p>3.</p>
<p>Agenda Item 7:</p> <p>Raised by: Councillor Jordan</p>	<p>Internal Audit Plan 2022-23</p> <p>Update on Gwent Music Service (High risk). Position statement requested from service manager, to be reported back to committee.</p>	<p>A Wathan</p>	

Agenda Item 8:

Raised by:
Chair / Dr Barry (Co-opted Member)

Quarterly report reviewing Cabinet / CM Urgent Decisions or Waiving Contract SOs: Quarter 3 (October to December 2021)

Correct procedure to be adhered to going forward in relation to Waiving of Contract Standing Orders (page 8).

A Wathan