

# Minutes



## Governance and Audit Committee

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Date: 27 October 2022

Time: 5.00 pm

Present: Mr G. Chapman (Chair), Dr. N. Barry, Mr D. Reed, Councillors J. Jordan, G. Horton, R. Mogford and S. Cocks

In attendance: Andrew Wathan (Chief Internal Auditor), Dona Palmer (Audit Manager), Jan Furtek (Audit Manager), Gareth Lucey (Audit Wales), Paul Flint (Performance & Risk Business Partner), Tracy McKim (Head of People, Policy and Transformation), Janice Dent (Policy and Partnership Manager), Robert Green (Assistant Head of Finance), Rhys Cornwall (Strategic Director – Transformation & Corporate Centre), Sally-Ann Jenkins (Strategic Director – Social Services), Natalie Poyner (Head of Children Services)

Anne Jenkins (Governance Team Leader), Pamela Tasker (Governance Support Officer)

Apologies: None

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### 1 **Declarations of Interest**

None received

### 2 **Minutes of the Last Meeting**

Item 8, page 15 under resolution 2, the Deputy Chair considered that the Minutes did not reflect the meeting in terms of the wording of the resolution. The Chair clarified that the Minutes only referred to the Head of Service being invited to attend the meeting and did not include that the Strategic Director: Social Services was also invited.

The minutes were accepted subject to the above.

Dr Barry referred importance of keeping the Action Timetable as a rolling item on the Agenda and noted that the request for the Ombudsman's letter regarding the Complaints, compliments and comments report was omitted and that more information was requested on Equalities data.

The Strategic Director for Transformation and Corporate referred to actions and recommendations. The Committee should be clear on what they related to and that there would be housekeeping in between meetings to tidy up these issues, therefore there should not be a lot of actions but there may be comments that the Committee would like to make to officers presenting reports that would be taken into consideration.

### 3 **Call In the Director of Social Services and Head of Service re the Internal Audit of Adoption Allowances resulting in a Second Unsatisfactory Opinion**

The Chief Internal Officer introduced the report to committee members.

Following two consecutive Unsatisfactory Internal Audit opinions, the Strategic Director for Social Services and the Head of Service responsible for Adoption Allowances were invited to the Governance and Audit Committee to provide assurances that appropriate improvements within service provisions and the control environment were in place. Initially improvements had been implemented, however subsequently, Internal Audit were made aware that no service was being provided for a period of time.

The Strategic Director for Social Services advised the committee that they were aware of the challenges faced by social services and therefore called upon the Audit Team to undertake this audit.

The Strategic Director also wanted to assure the Committee that no child or adoptive family suffered during this period and that adoption allowances had been provided for a small number of children.

There was a series of action plans put in place to address the issues and build resilience for the future to ensure that a greater number of staff were able to undertake the tasks.

Finally, the Strategic Director reassured the committee that all applications for this year had been progressed within the timeframe.

The Head of Children Services advised that there was a newly appointed service manager with experience in the area, who was drawing together an all-encompassing policy, should another audit take place and this would determine that they would be satisfied with the process in place.

Comments of Committee:

Chair considered that members should not focus on the past but how to move this agenda forward and receive reassurance from the service area.

Dr Barry referred delayed response due to the absence of a finance officer and principal officer, could a response be provided by another officer. The Strategic Director confirmed that the delay was because of the absence of those specific officers, both of whom were off at the time due to ill health for a substantial time. Going forward there needed to be a spread of staff who would have the confidence to carry out the assessments effectively as well as shared resilience with other finance officers within social services should they face similar issues in the future.

Dr Barry asked was it complicated completing the financial assessments and was there a set of desk instructions in place to help officers step by step. The Strategic Director advised that there were many complex layers to completing the financial assessments that would be too complex for step by step instructions.

Councillor Horton asked the audit team if they had confidence in the Social Services team should there be a re-audit of the service area. The Chief Internal Auditor said yes and that should there be a re-check a follow through would see what had been put in place to demonstrate good practice, hopefully with a more improved opinion.

D Reed asked was there a danger that those people receiving an allowance were overpaid. The Strategic Director advised that some people would have been over however these numbers were small but this was a better option than anyone suffering detriment.

The Strategic Director also advised D Reed in a follow up question, that the overpayment would not be taken back from those that had received it, as the fault laid with the service area and not those that received the overpayment.

Councillor Mogford asked what the timescale for next audit of Social Services would be. The Chief Internal Auditor advised that they already had commenced with a further audit which would be completed by Quarter three. This was unusual because of the double unsatisfactory audits, but were in constant communication with relevant staff who were taking this issues seriously. The follow up audit would be reported back to the committee.

Cllr Cocks asked if the Strategic Director could give the committee a sense of proportion in relation to officers, individuals applying for allowances and the sums of money. The Strategic Director advised that allowances varied per the needs of the child and ranged widely. An adoption allowance could be paid for only one year for one child rather than a longer period, childcare might be a factor, or even lessons to meet a child's needs. The allowances were linked to fostering rates through the Welsh Government.

Councillor Cocks asked where there any HR issues in relation to those members of staff who were on long term sick and why had this not been discussed. The Strategic Director advised that the HR comments were in relation to the report process not the individuals, therefore HR would not be commenting on the report. In terms of the wider issue regarding why it was not picked up regarding the three members of staff was because it was during covid and covid related illness, which had its own particular challenges, hence it went under the radar to some extent. There were a number of things that social services were still looking into regarding this issue.

Councillor Cocks raised the issue out of concern of the staff welfare rather than performance. The Strategic Director thanked Councillor for raising this and felt that overall, staff were struggling during that period of time in terms of capacity and support.

Councillor Cocks observed that it was not brought to the Cabinet Member's attention because it was an operational level and not a strategic level and wondered how bad it got before the Cabinet Member was involved. The Strategic Director advised that this was one of the things that would be put right in future.

Councillor Horton asked was there an actual number of the over payments what was received. The Strategic Director could not provide exact number although it was a very small amount of money and would find out exactly the correct information for Councillor Horton.

The Chair was assured that the Strategic Director had taken this matter very seriously. There was a new service manager in place and new staff to build resilience within the team. There was no one waiting for any money, as all applications had been processed. There were transferable skills within the team to also help with resilience. Also, lessons had been learned and any outstanding items would be addressed in the action plan.

The Chair finally mentioned that if the audit was to be completed by the end of December 2022 a brief update to committee to find out how the audit was going would be welcomed.

The Chief Internal Auditor would work towards providing an interim report to the committee by January 2023.

The chair thanked the Strategic Director and Head of Childrens Services for attending the meeting.

Resolved:  
That

- Members of the Governance and Audit Committee accepted the explanations and assurances of the Strategic Director and the Head of Service, which will be confirmed via the follow up internal audit
- An Interim update report would also be available in January 2023.

#### 4 **Annual Corporate Well-being Self Assessment Report 2021/22**

The Head of People, Policy and Transformation presented the report. The Local Government and Elections (Wales) Act 2021 required local authorities in Wales to undertake a Self-Assessment of its governance and performance.

Newport City Council had integrated its Annual Report with its annual Well-being Report to provide an overview on the effectiveness of the Council's Governance and Performance arrangements to deliver its Corporate Plan and services. The Council's Self-Assessment requirements had also considered the findings and assessments completed in other statutory annual reports.

The role of the Council's Governance and Audit Committee was to ensure that the self-assessment had been completed in accordance with the Act; review the draft report with its considerations and actions; and proposed recommendations

The Strategic Director for Transformation and Corporate reminded the Committee to put forward their recommendations as these would go to Cabinet in November.

Comments from Committee:

The Chair raised the following questions:

Difficulty working out wellbeing objective 1 to improve skills in education and employment opportunities – strategic recovery steps referred to improving school's attainment, however there was nothing further in the document which referred to attainment.

Item 7 under this objective to improve school attendance, reduce exclusions and improve safeguarding and wellbeing – attendance in school had fallen. There was no action in document on how to address this and responsibility for this action.

Those were the only concerns, there was a lot of narrative but little outcome. If the seven key objectives mattered, they should be addressed. Was the report trying to do too much too quickly and losing focus.

The Head of People, Policy and Transformation advised that the report was trying to do all the things mentioned however the report was being presented to develop this approach. There were and older objectives that were out of time and it was a complex year to be reporting because of the pandemic. Also having different sets of reports had its own problems therefore a blended report was brought forward to satisfy all requirements.

Councillor Horton echoed the Head of Service's comments and mentioned that was discussed at Scrutiny Committee earlier that week, and it was a juggling act to cover all aspects.

The Head of Service suggested looking at the overview of the report, pulling out the salient parts for the Committee.

Dr Barry mentioned that try to marry the Corporate Plan with the wellbeing objectives and self-assessment may not work as there was a lot of narrative but not enough about qualitative outcomes which was what people wanted to see. It also needed to be easy to read as it was a public document. There needed to be a relationship between the corporate objectives and wellbeing objectives and there was not enough data regarding this.

Dr Barry also mentioned that as Newport was a multi-cultural city, report underplayed the equality issue and how Newport City Council employees actually related in this aspect to the community and this should be highlighted in the report.

The Head of People, Performance and Transformation agreed that the mix of staff was not adequately reflected in the report however it was in the strategic equalities report. This was part of the challenge as a lot of the issues crossed over in various reports without providing a clearer picture for the committee members as it would have been addressed in more detail at Scrutiny, for example.

D Reed considered there was danger of getting balance right for this style of report as it could read as self-promotion rather than self-assessment, this diluted the report and took the shine off the work carried out by the council. Not sure if this format worked for the council as there was not enough detail in it. The Head of Service advised that self-reflection was new to the council and it was recognised that there was more work to do in this respect.

Councillor Cocks felt that it was an excellent document to find out what was taking place in the council and projects being undertaken. Whilst the report promoted economic growth, and transport as an example, it did not say how this was being progressed.

Councillor Cocks also referred to equality, there was some excellent work being done in terms of equality issues and promoting equality but there was no evidence on whether it was working or being monitored. The Head of People, Policy and Transformation appreciated that the councillor was referring to the strategic equalities annual report however there was some discussion on that report about clearer outcomes and there was a member/officer group in place where this would be taken forward. To what extent how do we produce that information in this report. Equalities was one of the core values within the council and it had staff groups working on equalities. It may have been covered within the covid community impact assessment report. In addition, the participatory budget report was aimed at minority communities and inequalities. However, if the members of the committee did not pick this up within the report, it would be made clearer.

Councillor Harris referred to page 57 where it mentioned that there were only 15 new start up companies, within Newport and asked was this due to covid. The Head of Service advised that this was one of the points actually covered in the report and that the pandemic was the reason why there were as many start up companies.

The Strategic Director advised that the information was extracts from the service areas and that a response would be provided by the relevant service areas.

D Reed mentioned that the report was a live document and that deadlines regarding some completion projects dates had already passed, ie August and September, therefore had these deadlines been met and should they be added to the report for information. The report reflected information up until the end of March but this could be looked into.

The Chair would have liked to see a foreward from the Leader and the Chief Executive. There were a lot of hyper-links which was not helpful for those that did not have a computer.

The Chair felt that members reflected that there was confusion about merging the three plans together. If it was a self-evaluation and self-assessment on the authority, there was not enough self-evaluation. There was a lot of verbiage and discussion but not enough quality data or key outcomes. For example in relation to school outcomes, there was no data in there. The recommendations and actions were statements of facts, with no outcomes, monitoring or reviewing, such as - where were you, where are you now and what are you doing going forward. Self-promotion was not a bad thing but there needed to be a balance going forward.

The Chair understood that this was the first document of its kind and there was work to be done corporately. This was a learning exercise and constructive debate would hopefully improve this going forward.

The Head of People, Policy and Transformation thanked the Chair and mentioned the positive feedback received from trade unions and other interested bodies and that the comments would be captured for Cabinet.

The Strategic Director for Transformation and Corporate reiterated that this was the first year this report was completed with a challenging timescale and thanked the committee for its comments.

Resolved:

The Governance and Audit Committee received an overview of the Council's Corporate Annual Report 2021/22 and made the following recommendations for improvement to the report.

1. Committee recommended a review of the format of the report
2. The report lacked detailed analysis and self-evaluation. Where possible this should be rectified before finalisation. If not, it should be included within the next iteration of this report
3. Actions should be developed further. Many were statements, not measurable actions
4. Conclusions needed to be based on an assessment of what had not worked as well as what had worked. There needed to be a balance to the evaluative aspects of the report.
5. There needed to be a clear link between the Corporate Plan and Well-being Objectives and the outcomes being achieved.

## 5 Treasury Management Report 2022/23

The Assistant Head of Finance presented the report to the Committee.

In line with the agreed Treasury Management Strategy, the Council continued to be both a short-term investor of cash and borrower to manage day-to-day cash flows. Current forecasts indicated that, in the future, temporary borrowing may be required to fund normal day-to-day cash flow activities and longer-term borrowing would increase to fund commitments in the current capital programme, as well as the impact of reduced capacity for 'internal borrowing'. However, symptomatic of the extraordinary funding received in the previous year, the Council was anticipated to remain a net investor of funds in the short term (£50m at end of September), and this continued to cause an unusual variance and noncompliance against the performance indicator that monitors exposure to interest rate changes.

Up to end of September 2022, the Council's net borrowing was £140.6m, a decrease of £1.5m on 31 March 2022 levels. The liability benchmark graph in the report broadly suggested the Council would need to borrow in the next year.

Comments of committee:

Dr Barry mentioned that it was a good paper, which gave confidence in the treasury management of the authority and it was good to see that the net borrowing had decreased. With regard to loans to developers at £10.6M, bearing in mind that some developers within Newport had folded recently, how secure was money to be received from developers. The Assistant Head of Service advised there £10M was spread across a few developed and all loans were secured and would also ensure security. There was no guarantee that the loan would be repaid but the Council could satisfy itself that the security was in place.

Secondly, borrowing was at £140.6M and the maximum was £141.9M and a borrowing headroom of £2.391M would we exceed the maximum figure and how did it relate to the

head room regarding Table 4, page 119 within the report. The Assistant Head of Finance advised that there were two authorisation limits required as standards in terms of indicators. The one was called the authorised limit and was the absolute max borrowing at any single point, then there was the operational boundary which was effectively the cap in terms of borrowing in relation to our capitol programme. We therefore might need to undertake short term borrowing to manage cash flow requirements. In terms of borrowing head room that was in terms for borrowing that the council had allowed for in our capitol programme but had not been allocated to a specific scheme.

Councillor Jordan asked how much of the grant money was the council holding, where would it go to if not used. The Assistant Head of Finance was not able to provide a figure, as it was more of a theme. The repayment grants had terms of conditions and a final timescale in which it the funding would need to be used.

Councillor Mogford referred to the return on investments and what was take on ethical investments. The Assistant Head of Finance advised that this theme was becoming more common. The Council were not investing in any Russian schemes, but if there were schemes that the Council did not want to invest in, Treasury Advisors in place and we would not invest in these schemes. As part of our climate change investor, we ensure that these were ethical as well as pension investments.

Councillor Horton mentioned that there was a lot of information within the document and people may struggle to understand the context, would it therefore be possible to have it simplified to make clear to members and break the information down into simpler terms. The Assistant Head of Finance would take it on board these comments and see what could be drawn out of the report.

Councillor Cocks referred to page 108 where further internal borrowing had diminished and sought clarification on how this would impact on the Council. The Assistant Head of Finance mentioned that those reserves would be used for their intended purpose, most of which would be used over a short time frame. Should the internal borrowing be diminished, external borrowing would need to be considered. Some of the existing loans were taken out in the 1990s when interest rates were very high. Therefore, it may be cheaper to take out a newer loan as interest rates compared far more favourably by comparison.

Cllr Mogford asked, as a point of clarification, were the reserves ringfenced. The Assistant Head of Finance advised that the were general reserves and there were also ear marked reserves for specific purposes, for example, civil parking/road infrastructure could only be used for highways.

D Reed referred to the comments of the chief financial officer: I have the delegation authority to borrow as needed to manage cash-flows and manage Treasury activity risk. If this power was used, would it be reported back to the Committee. The Assistant advised that because it was a delegated authority it would be reported in the following year.

The Chair referred to Councillor Horton's point was valid and thanked the Councillor for comments.

Resolved:

The report was noted by the Governance and Audit Committee on treasury management activities during the first half year period of 2022-23 and the Governance and Audit Committee was offered an opportunity to provide feedback on this situation in the subsequent report to Cabinet/Council.

The Chief Internal Auditor presented the report to the Committee.

The report identified that the Internal Audit Section was making progress against the 2022/23 audit plan and internal performance indicators.

Site visits to establishments have resumed.

The Internal Audit Plan was based on 1073 audit days.

The follow up audit of the Passenger Transport Unit (PTU) Taxi Contracts resulted in a second consecutive Unsatisfactory audit opinion.

Paragraph 12 within the report highlighted the performance of the staff for Quarter 2, 2022/23. This was also detailed in Appendix A, along with the audit opinions.

Comments of committee:

Dr Barry referred to paragraph eight was there lack of corporation between service managers and staff that prevented completion of the previous year's audit. In addition, only 80% were reasonable and were there any themes coming from these audit reports that leadership would need to be addressing. The Chief Internal Auditor advised that in relation to the first question, that was a general statement from the audit team to make the committee aware that it was not straightforward and needed to be escalated to the Chief Internal Auditor or the Head of Service. Secondly it would be satisfactory to see 'all good' outcomes. The Audit team cycle audits at around eight or nine years from audit to audit. But would take on board comments.

D Reed referred to financial training in paragraph 20, was this mandatory training. The Chief Internal Auditor would like to think it was mandatory and encouraged people to attend. Self Nomination meant that staff would to this to attend training. This was not effectively monitored but could be developed further. Common themes were picked up and feedback to HR. The Audit team also makes sure that staff comply with policy, but most training is monitored at local level

The Corporate Director for Transformation and Corporate referred to mandatory training and HR had invested in meta compliance training. This was new and being rolled out to staff.

The Chair suggested that mandatory training should be monitored as it was important to receive training as mentioned at the previous meeting.

The Chair mentioned that in relation to the PTU, no critical issues were identified, one critical issue was that taxi was operating for the council using unlicensed drivers transporting vulnerable young people. What therefore was the threshold for being critical, considering the background of this report. The Chief Internal Auditor advised that critical, significant and moderate was noted in the report and was subjective, based on evidence at time of the audit, if identified as a strength, the auditor would determine whether it was critical or significant or moderate weakness, it then goes through a management process. There was an understanding of what it meant across the authority and the impact it could have corporately.

The Chair was concerned that if an unlicensed taxi driver picked up a vulnerable person with and if something happened, that made it to the press it would be a critical issue for the council. Therefore the committee needed to call in the Strategic Director and Head of Service as it was an appalling way of operating a service.

Dr Barry echoed the comments of the Chair and considered that there were simple administrative tasks that were not being completed.



Councillor Mogford also agreed with the above comments and asked would the council be liable for even minor incidents. Was there a bias undertaking an internal audit. The Chief Internal Auditor assured the councillor that there was no bias during these audit investigations and that they understood the seriousness of the situation.

The Chair asked what would be the view of Education and Social Services. The Strategic Director for Transformation and Corporate would invite a written statement from those Heads of Service from an operational point of view and consider what action should be taken from their stand point.

Councillor Horton asked if the taxi company could also be called in to the Committee. The Chief Internal Audit advised that it would be one and the same person.

he Chair reiterated that it was very important that the Director and Head of Service attend the next committee meeting to answer these questions.

The Chair also asked if the contracted taxi company using unlicensed drivers was still being used by the council or had they been suspended, those were the points that needed to be made to ensure that PTU was safe and secure.

Councillor Mogford should there be another channel or process before this information was discussed at Governance and Audit Committee. Was this also brought to the attention to the Licensing Committee, therefore was the process robust enough.

The Strategic Director clarified that the role of the Governance and Audit Committee was to provide assurance that the Head of Service was delivering their service. This was the second unsatisfactory audit outcome, hence being brought to this committee. The role of the committee was to challenge the pace, activity and actions to ensure the safeguards were in place. This was also being looked via other areas but the Audit report highlighted that this was taking place and therefore being brought to committee. in the Audit report. In response to Councillor Mogford, the documentation regarding this would be in the operational service plan and this is performance reviewed on a regular basis. The Audit report was the document process that highlighted what was going wrong with the system. An independent internal audit was undertaken and it was now being discussed in a public meeting. This was an example of how we should operate and how the process was working properly.

For point of clarification, Dr Barry asked if the Strategic Director would be aware of what was happening within the service area in light of an audit report. The Chief Internal Auditor would raise this at draft report level with the service manager, then the Head of Service and Strategic Director. All reports were evidence based, should they be challenged by service manager.

Councillor Cocks commented that it did show that the system worked, the Audit team had picked this up and it was raised at committee.

The Chair asked if very little had changed as an outcome the next committee could a recommendation be made to refer the matter to Scrutiny Committee.

Resolved:

That the Governance and Audit Committee

1. Resolved to call in the Strategic Director for Environment and Sustainability and Head of City Services in relation to the second unsatisfactory audit opinion for the Passenger Transport Unit (PTU) Taxi Contracts
2. To aid the Committee's assessment of the level of risk associated with this audit opinion, request a written submission from the Strategic Director for Social Services and

Chief Education Officer on the service impacts as a result of the issues raised within the audit report

3. Following the call in at the next meeting, consider referring any performance issues to the relevant Scrutiny Committee

## 7 **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.

Resolved:

That the Governance and Audit Committee

- To add to the Work Programme the call in the Strategic Director and Head of Service in January to discuss the Unsatisfactory audit opinion in relation to the PTU contract.
- That an Interim Report on an update on Social Services be added to the Work Programme for January 2023.

The meeting terminated at Time Not Specified