

Minutes

Governance and Audit Committee

Date: 26 October 2023

Time: 5pm

Present: Mr G Chapman (Chair) and Mr D Reed

Councillors Jordan, Horton, Harris, and Mogford

R Cornwall (Strategic Director: Transformation and Corporate), M Rushworth (Head of Finance), R Green (Assistant Head of Finance), D Newens (Audit Manager), L Mahoney (Senior Finance Business Partner, Chief Accountant)

In Attendance: J Williams (Audit Wales), E Bryant (Head of Law and Standards), L Rowlands (Democratic and Electoral Services Manager)

Apologies: Councillor Cocks

Part 1

1 Apologies for Absence

Noted above.

2 Declarations of Interest

None.

3 Minutes

The minutes of the meeting held on 27 July 2023 were accepted as a true record.

The minutes of the meeting held on 28 September 2023 were accepted as a true record.

4 Verbal Update: Internal Audit Team

The Head of Finance provided a verbal update on the position of the Internal Audit Team. The two Auditor posts had been successfully filled. The Principal Auditor and Audit Manager posts had not been successful in attracting suitable applications.

As a result of this, a change to the structure had been made to mitigate the qualifying distance between auditor and principal auditor role. Due to the large progression gap

between Auditor and Principal Auditor, a Senior Auditor post had been created. This post, along with Audit Manager and Principal Auditor would be advertised imminently. The two Auditors would be starting in November and December, which would assist in the progress of the audit plan, as outlined in a separate report later in this meeting.

The Chair thanked the Head of Finance and considered the current position as excellent progress made in the current financial climate.

The Chair asked for an update on the regional service plan.

The Head of Finance reported a recent conversation with the regional service that indicated they were keen to bring two additional councils onboard. Formal decisions papers were being prepared to share with the current four partners to consider a formal decision. There were some details in relation to this that required further discussion, however, in general the regional service was happy to expand their service with two additional councils.

The Chair thanked the Head of Finance for the update and extended his thanks to the team for their hard work.

Recommendation:

The Governance and Audit Committee noted the verbal update from the Head of Finance.

5 Internal Audit: Progress Against Audit Plan 2023/24 (Q2)

The Audit Manager presented the report and its appendices, which provided an update on progress against the 2023/24 agreed audit plan up to the end of the second quarter of the financial year. The report by provided information on audit opinions given to date and progress against key performance targets.

The report identified that the Internal Audit Section is making progress against the 2023/24 audit plan and internal performance indicators. The original audit plan was based on 862 audit days in total. This included 48 new audits, as well as 13 ongoing opinion jobs carried over from 2022/23. All audit jobs which were carried over from year end 2022/23 had now been completed.

The Chair thanked the Audit Manager for the presentation and was pleased to see that progress was being made.

Comments of Committee Members:

Mr Reed thanked the Audit Manager for the report.

The Chair asked where opinions that had been re-rated under the follow up audits would be reflected in the report. The Audit Manager confirmed that page 33 showed the outcomes of Follow Up Audits including the revised opinions given at the second audit.

The Chair confirmed that the Strategic Director: Social Services was unable to attend the meeting to provide an update on the Adoption Allowances Follow Up Audit, due to a family bereavement, and requested that the sincerest condolences from the Committee Members be conveyed to the Director.

Recommendation:

The Governance and Audit Committee noted the report.

6 2023/24 Half Year Treasury Management Monitoring Report

The Senior Finance Business Partner, Chief Accountant presented the report to Committee Members.

The report informed the Committee of treasury activities undertaken within the financial year 2023/24 and confirmed that all treasury and prudential indicators had been adhered to, 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'.

Up to the end of September 2023, the Council's net borrowing was £80.8m, which was a decrease of £10.6m compared to levels on 31 March 2023.

The report also outlined the borrowing strategy / activity in relation to short term and long-term borrowing.

Comments of Committee Members:

Councillor Harris asked how Finance monitored the position of other councils that Newport City Council had lent to, as there had been a lot of press regarding councils issuing or being close to issuing Section 114 notices. The Senior Finance Business Partner, Chief Accountant mentioned that advice was taken from the Council's Treasury Management Advisors regarding those Councils that were approaching a Section 114 Notice.

Mr Reed mentioned that he understood that the report compared the end of March to the end of September, but queried whether adding in some data from previous years as reference points would help to show direction of travel. The Senior Finance Business Partner, Chief Accountant advised that the Treasury Management indicators were set for the year 2023/24, and the purpose of the report was measuring against the in-year treasury strategy. The Head of Finance agreed to incorporate some additional data points to give an indication of the twelve-month picture.

The Chair enquired if Salix funding was still available for energy efficiency and asked if there was opportunity to use more of this funding to offset Capital spending. Secondly, the Chair referred to the Lender Option / Borrower Option (LOBO) rate, which was paid off at the £5M LOBO rate, and queried whether the Council be able to get a better rate with short-term borrowing instead.

The Senior Finance Business Partner, Chief Accountant advised that Salix was managed by the Energy Efficiencies Team and if there were options to use Salix funding then this would be implemented. Secondly, in terms of the LOBO loan, the Senior Finance Business Partner, Chief Accountant confirmed that advice from Treasury was taken regarding the approach to short-term borrowing with the aim of securing the best possible outcomes balancing the risks and mitigations involved in fixed term borrowing and available rates.

The Chair thanked the Finance team for the report.

Recommendation:

The Governance and Audit Committee noted the report on treasury management activities during the first half year period of 2023-24 and provided commentary for inclusion in the subsequent report to Cabinet/Council.

7 Forward Work Programme

The purpose of a forward work programme was to help ensure the Committee's focus remained on the undertaking of appropriate enquiries under the Terms of Reference. 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.

Recommendation:

That the Governance and Audit Committee noted the Work Programme.

8 Date of Next Meeting

The next meeting will take place on 23 November at 5pm in the Council Chambers.