

Minutes



Governance and Audit Committee

Date: 30 May 2024

Time: 5.00 pm

Present: G Chapman (Chair), Dr N Barry and Mr D Reed
Councillors M Howells, J Jordan and G Horton

In Attendance: Paul Flint (Performance and Program Manager), Tracy Mckim (Head of People, Policy and Transformation), Mike Wallbank (Interim Head of Law and Standards, Robert Green (Assistant Head of Finance), Laura Mahoney (Senior Finance Business Partner (Chief Accountant), Meirion Rushworth (Head of Finance) Leanne Rowlands (Democratic and Electoral Services Manager), Anne Jenkins Governance Team Leader and Taylor Strange (Governance Officer)

Apologies: Councillors D Fouweather and J Reynolds

1. Apologies for Absence

1.1. Cllrs Fouweather and Reynolds

2. Declarations of Interest

2.1. None

3. Minutes of the Last Meeting

3.1. The Minutes of the last meeting was accepted as a true record.

4. Appointment of Chairperson

- 4.1. Mr Chapman was nominated as Chair, seconded by Mr Reed.
- 4.2. Mr Reed was nominated and seconded as Deputy Chair.
- 4.3. The Committee voted unanimously to approve the appointments.

5. Newport City Council Annual Audit Summary 2023

- 5.1. M Edwards, Audit Wales provided a brief outline of the audit summary, which showed the work completed since the previous summary issued in March 2023.
- 5.2. S Joyce-Byrne, Audit Wales added that some of the reports listed would be going to the Governance and Audit Committee in July.

Comments of Committee Members:

- 5.3. Mr Reed referred to page 16 and sought clarification on costings concerning the Digital Strategy and how it was positioned with officers.

- 5.4. The Chair stated that officers would be called upon in July's committee to discuss this.
- 5.5. Dr Barry raised four areas of concern: Wellbeing Objectives – resourcing and monitoring; limited information in Performance Measures; and weaknesses to be addressed in the Digital Strategy and Counter Fraud Arrangement. The Head of People, Policy, and Transformation echoed the Chair's comments that the relevant officers would be invited to the meeting to discuss the issues raised by the Committee.

Recommendation:

- 5.6. That the Governance and Audit Committee noted the contents of the report.

6. Audit Wales Quarter 4 Timetable

- 6.1. M Edwards, Wales Audit gave an outline to the Committee on the quarterly update and advised that the report signposted to other organisations from page 30 onwards which may be of interest to the Committee.
- 6.2. In terms the Accounts Audit 2023-24 and the Council's Draft Statements, these would be received by end of June and would be certified in line with Welsh Government Timetable by November 2024.
- 6.3. S Joyce-Byrne, Audit Wales flagged the key issues in terms of performance audit work to the Committee. The Planning Services report was going to Planning Committee on 12 June. Corporate Safeguarding work was underway. Additional planned work for 2023-24 included Thematic Review on Financial Sustainability and Arrangements for Commissioning Services. As previously mentioned, most of these issues would be raised at July's Committee.

Comments of Committee Members:

- 6.4. The Chair referred to Performance Audit Work and requested that where it stated the final reports issued or published, that Audit Wales include the actual date when it was completed. S Joyce-Byrne, Audit Wales agreed that this would be made clear in future updates going forward.
- 6.5. The Chair also referred to the Local Governance National Studies planned/in progress: Governance in Fire and Rescue Authorities, where it stated that no field work was planned for Newport City Council and queried this, as Newport City Council, like all Local Authorities in the area, have elected representatives appointed to the South Wales Fire and Rescue Authority. S Joyce-Byrne, Audit Wales did not have this information to hand regarding the methodology and confirmed that they would get back to the Chair on this.
- 6.6. The Chair, asked for the provision of key dates in relation to ESTYN and Care Inspectorate Wales (CiW) and if this could feed back to the organisation, regarding the findings awaiting publication. Also, lessons learned from other authorities would be useful.
- 6.7. The Performance and Programme Manager advised that work included in relation to ESTYN and CiW would be provided at the next meeting.

Recommendation:

6.8. That the Governance and Audit Committee noted the contents of the report.

7. Audit Wales Annual Report on Grants Works

- 7.1. M Edwards, Audit Wales gave a brief overview on the report which set out the high-level findings and costs associated with the work undertaken at Newport City Council since 2021. Housing Benefits and reporting back to Department of Work and Pensions (DWP) were the main focus within the report.
- 7.2. Page 39 of the pack gave a brief overview of findings in relation to various returns each year. Housing Benefits work was on hold, but Audit Wales were looking to progress the work in July.
- 7.3. Small amounts were also to flagged up, in relation to teacher's pensions, in 2021/22 there was a small adjustment of £11 that Audit Wales was required to provide evidence for. Any errors down to the penny were recorded as requested by the grant paying bodies, such as the Teacher's Pension Agency.
- 7.4. Page 40 referred to the breakdown of costs by grant/returns to the Council which was consistently above average. Newport City Council therefore needed to resolve the issues being reported back. A flavour of this was referred to on page 41 under the recommendations relating to the Housing Benefit Subsidy return.
- 7.5. Finally, the DWP required Audit Wales to follow up this line of work, which increased the work they undertook as well as officers of the Council. There was therefore a real incentive for the Council to address these issues.

Comments of Committee Members:

- 7.6. Dr Barry referred to the unnecessary expenditure and asked what was being done, in relation to the supervision of staff as Newport City Council was above average in relation to the errors. M Edwards, Audit Wales did advise that Newport City Council was not alone in this and that other councils were also affected.
- 7.7. The Head of Finance advised that this was raised with the relevant managers and Team Leader. It was explained that it was due to a culmination of hundreds of transactions. The Head of Finance went into great detail to explain to the Committee that the amounts of money paid to claimants was in the millions and the amounts linked to the errors were minor in this context, however, even a £5 error needed to be reported. Self-testing had been carried out by the Team Leader, when working with Auditors, based on their samples and in turn Audit Wales then carried out a check on the self-test, to make sure this has been done properly. There were also some rules applied by DWP that changed but this was not necessarily reflected in the audit samples Staff also followed DWP rules and therefore the Head of Finance believed that not all of the errors were actually against the DWP rules. The Head of Finance was wanted to assure the Committee that he was satisfied that training knowledge and experience was acceptable, a change was therefore needed in the approach to identifying the errors. It was hoped that there would be a more robust approach to challenging potential non-issues raised in the future.
- 7.8. Dr Barry asked if the Head of Finance could provide a brief overview to the Committee of the new approach. The Head of Finance provided an example where the DWP issued an instruction, which could be seen as an error and was therefore recorded as an error for the purposes of Audit Wales. These are therefore not challenged during the audit and are concluded as being errors but

retrospectively the Housing Benefits team did not think that they were errors as they arose from changes to procedures.

- 7.9. Mr Reed referred to the costs of certification, which was consistently above the average and sought clarification on what the definition of average was in the context of the fees involved.
- 7.10. M Edwards, Audit Wales considered the purpose of the statement was to contextualise the level of the fee, which for Newport City Council was higher than other Local Authorities and confirmed that this was not related to demographics or areas of deprivation.
- 7.11. Mr Reed asked whether other Local Authorities (LA) experienced the similar number of claims.
- 7.12. M Edwards, Audit Wales advised that the number of claims varied and that Audit Wales was required to follow certain procedures to report back to the DWP. There may be councils that outsourced housing property services, which was why there might be differences in some cases.
- 7.13. The Head of Finance agreed with M Edwards, Audit Wales that the size of an LA's relative spend on Housing Benefit had an impact. Newport, like many cities, had experienced growth in homelessness and Housing Benefit claimants which had created an increase in workload since 2021. There had also been a lot of changes in terms of data required before a decision on a claim could be made which added further pressure on resource.
- 7.14. Councillor Horton asked M Edwards, Audit Wales what was Newport City Council doing differently to other LAs or why the Council was being treated differently, if we were using the same process.
- 7.15. M Edwards, Audit Wales advised that Newport City Council was not being treated differently but this area of work was technical in nature. Auditors and officers tended to disagree with the calculations. DWP required Audit Wales to report back to them, and if there was a disagreement then a conclusion would be drawn, which would either favour Audit Wales or the Council.
- 7.16. Councillor M Howells referred to the recommendations and was concerned that this had been happening for a number of years and that the Head of Finance had not provided the Committee with adequate assurances around how this would be addressed.
- 7.17. The Head of Finance explained that the process included a series of conversations with officers and auditors. In hindsight the benefits officers felt that conversations needed to be more challenging on points where they could demonstrate following the procedures as they were at the time of the decision. The Head of Finance wanted this to be discussed as part of the process rather than automatically agreeing that it was an error. Therefore, the number of errors in future would be reduced by way of explaining to DWP and Audit Wales how the determination was not a deviation from the guidance at the time of the contended discrepancy.
- 7.18. Mr Reed agreed with the Head of Finance's explanation and considered that interpretation should be included in the report, be subject to clarification and challenged as there would be differences. This should therefore be revisited in future reports to assess progress made on this dialogue.

- 7.19. The Chair asked what the average fee was in Wales and if Newport could improve this issue, would the fees be reduced. M Edwards, Audit Wales did not have the All-Wales average to hand but would circulate the information to the Committee in due course.
- 7.20. The Chair reiterated the comments of the Committee regarding concerns that these were ongoing issues. The Chair was not satisfied with the response shared and recommended that a comprehensive report be provided to the Committee in the future, setting out the errors, the quantum of the errors in terms of money, and action as to what was being done. This could be considered by Governance and Audit Committee or Scrutiny as appropriate but would also provide a platform if we need to challenge this with Audit Wales to make improvements too.

Recommendation:

- 7.21. That the Governance and Audit Committee noted the contents of the report.
- 7.22. That a further comprehensive report from the Head of Finance is presented to the Committee setting out detail of the Housing Benefit errors identified and the actions to address the current position.

8. Quarter 4 23/24 Corporate Risk Register Update

- 8.1. The Head of People, Policy and Transformation introduced the report. Overall, there were 9 Severe risks (risk scores 15 to 25); 6 Major risks (risk scores 7 to 14); that are outlined in the report. In comparison to the Quarter 3 corporate risk register, one new risk (WCCIS Replacement) was added to the Corporate Risk Register, one risk (Delivery of the Internal Audit plan) was de-escalated from the Corporate Risk Register. All remaining risks did not change score.
- 8.2. In addition, the training carried out with Committee members on what risk looked like would be revisited in light of the recent changes to membership. The report looked at the system in place and how risks were managed but did not provide the detail of the risks and mitigation, which would be discussed at Cabinet under the governance framework. The dates within the risk register had previously been queried by the Committee, therefore current service plans were being closed and ended on 31 March. By the next risk register these were expected to be reviewed.
- 8.3. The Performance and Programme Manager addressed the Highways Risk which was being presented under the Highways Asset Management Plan to Performance Scrutiny Committee – Place and Corporate: the Scrutiny Committee would be made aware of the comments of the Governance and Audit Committee. In addition, with reference to the Housing Risk, The Performance and Programme Manager had spoken with the Head of Housing and Communities who advised that some policies were taking longer to be implemented as they needed to be approved by Welsh Government.
- 8.4. Reference was made to the replacement of the WCCIS social services system, which had been rolled out nationally in Wales and was considered a risk as it was used by so many organisations and local authorities. The Performance and Programme Manager confirmed that LA's under the Gwent region were looking at potential alternatives and this would then be submitted via Welsh Government for potential support with funding so further decisions at a high level would be required.

Comments of Committee Members:

- 8.5. Mr Reed referred to the challenges of balancing the medium-term budget. In the risk mitigation action plan, nothing was noted as going forward, however, the risk carried on over future years. Mr Reed queried whether there were any further plans being developed or whether this would be developed in the next financial year.
- 8.6. The Head of Finance advised the Committee that there would be something in place with the risk register to advise on the position. The Council was developing a transformation plan and to be presented to Cabinet and Council in the near future.
- 8.7. The Performance and Programme Manager added that all actions and risks would be reviewed and for 2024/25, the finance team would be included in the medium-term financial plan process.
- 8.8. Councillor M Howells referred to pressures on Adult Services and reflected that the changes in both the Director for Social Services and Head of Adult Services should be factored in.
- 8.9. The Head of People, Policy and Transformation advised that both recruitments were completed, and the Head of Service would be in place before the Director left as it was considered important to have this handover period as part of mitigation against the changes in these key posts.
- 8.10. Councillor Jordan asked for more details on the decrease of the risk in Q3 for Education. The Performance and Programme Manager explained that this was a service risk, to do with placements but this was not part of the reports considered by the Governance and Audit Committee.
- 8.11. Mr Reed referred to pressure on housing and homelessness which was an area of huge concern. Would it be in the Committee's remit to request a report on this. The Head of People, Policy and Transformation advised that it would be a matter for scrutiny who were considering performance in this area in July. The outcomes of the discussion from the Performance Scrutiny Committee – Place and Corporate could be circulated to Governance and Audit Committee for information.
- 8.12. The Chair considered 18 months was a short timescale to get a replacement the WCCIS system in place and felt that an All-Wales system would be far more beneficial providing easier access to Local Authorities and Health Boards. The Performance and Programme Manager noted the comments and would provide feedback to Social Services, who would in turn update the Committee, however this was a decision that would be agreed at Cabinet.
- 8.13. The Head of People, Policy and Transformation also added that Newport City Council was part of a Shared Resource Service with three other LAs, which was an advantage in considering potential replacement systems.
- 8.14. The Chair asked if there was a budget allocation for this. The Head of People, Policy and Transformation would look into this.
- 8.15. The Chair asked was this a potential risk or a real risk. The Head of People, Policy and Transformation agreed that this was a real risk.

- 8.16. Councillor Horton advised it was not Cabinet Members in the plural when referring to Social Services but single Cabinet Member. This paper had however been prepared before the Council Annual General Meeting and the respective changes that took place the previous week.

Resolved:

- 8.17. The Governance and Audit Committee was 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 the Cabinet.
- 8.18. The Governance and Audit Committee would be issued with the outcomes of the Performance Scrutiny Committee – Place and Corporate in relation to Homelessness and Housing.

9. Treasury Management Outturn Report - 2023/24

- 9.1. 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'. In addition, the Council had a large refinancing requirement for external borrowing during 2024/25.
- 9.2. During the year, the Council's total borrowing reduced from £138.6m to £137.7m and total investments reduced from £47.2m to £13.9m, as anticipated, meaning overall the Council net borrowing increased by £32.3m to £123.7m as of 31 March 2024.
- 9.3. The report confirmed that all prudential indicators were complied with during 2023/24. Including historical data in the report going forward.

Comments of Committee Members:

- 9.4. The Chair referred to investments and net borrowing and asked if this was in relation to the capital programme. The Senior Finance Business Partner advised that it was a mix of the continuation of the capital programme and reserves that were being decreased which reduced the internal borrowing capacity.
- 9.5. Dr Barry commented that it was a good report and asked what Newport City Council was doing regarding divesting assets, what was the timescale for repayment of the £10.3m loan and what risks were involved. The Assistant Head of Finance advised that the Council had an asset programme regarding asset optimisation. In terms of the developer loans, there were three and the two larger loans were not yet due for repayment and were linked to a practical completion date. Appropriate steps were in place to mitigate risks. For example, the two larger loans were fully funded through the Council's Capital programme and in the event of default then there would be no capital receipt.
- 9.6. The Head of People, Policy and Performance added that officers working on an extensive asset rationalisation plan which did not always mean reduction but was often about repurposing.
- 9.7. Mr Reed asked for clarification regarding the £10m loan and whether this was already considered as written off the loan on the basis of it being covered. Mr Reed queried whether the £10m repayments would then be considered as additional income.

- 9.8. The Assistant Head of Finance explained that the loan was treated as expenditure and then returns are used as new capital headroom. The Head of Finance added that that Medium Revenue Position (MRP) budget had been set aside for the two loans. This approach was also part of the recent national guidance, which meant that Newport City Council was ahead of the curve.
- 9.9. The Chair asked whilst Newport City Council was granting a loan to a development company, and borrowing to backfill, would the Council make a loss or did it create additional income. The Head of Finance advised that interest was charged on the loans, but the rates were set to be on the right side of state aid and was reasonably comparable with the Council's cost of borrowing. The Chair suggested that this could be explored through a closed session.

Recommendation:

- 9.10. The Governance and Audit Committee noted the report on treasury management activities for the period 2023/24.
- 9.11. No further comments were provided other than the Governance and Audit Committee considered that it was a constructive report and thanked officers for preparing.

10. Internal Audit Annual Report 2023-24

- 10.1. The Head of Finance introduced the item. The Internal Audit was an independent, objective assurance and consulting activity, designed to add value and improve an organisation's operations. It helped the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- 10.2. P Connolly, Principal Auditor was introduced and went through the report. This report had been prepared in accordance with the Public Sector Internal Audit Standards. It gave an overall opinion on the adequacy and effectiveness of the City Council's internal controls during 2023/24, which was **Reasonable** - *There is a general sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.* The overall opinion was based on the approved Internal Audit plan 2023/24 (May 2023).
- 10.3. The report also highlighted the performance of the Internal Audit Section and whether its key targets in the year were met. It was noted that 79% of the approved audit plan was completed for the year.

Comments of Committee Members:

- 10.4. Dr Barry complemented the team on their performance and referred to 96% of Management Actions implemented, but expressed concern about the caveat that this could not be checked due to resource availability. The Head of Finance advised that this approach was completed by officers as a self-checking process.
- 10.5. Dr Barry asked whether the directorate was overseeing the self-checking process. The Head of Finance suggested that he could remind the Directors and Heads of Service of this step if the Committee wanted to make that statement to strengthen the endorsement.

- 10.6. The Chair echoed Dr Barry's comments.
- 10.7. Mr Reed congratulated the Audit team and referred to the adverse reports on page 111, and asked if the Committee could invite someone from the Private Sector Housing and Asylum Seekers Imprest Account to provide an update on these matters. L Rees, the Principal Auditor advised that these two recommendations were only completed in March and might therefore be called into July's Committee.
- 10.8. The Chair advised that he would like to see the outcome of the report first and then consider calling them back at a future meeting.
- 10.9. The Chair queried the term 'consultancy' referred to in the report.
- 10.10. The Head of Finance advised that 'consultancy' referred to a service area that was undertaking changes to structure. Audit was providing support and guidance to these areas whilst they were in a state of development to support them to make the changes.
- 10.11. The Chair considered that if the service areas were in the audit plan, then they should be dealt with in accordance with the audit principles and the Committee should be able to consider the outcome as part of the system of assurance. The Head of Finance noted this point and confirmed that they would discuss this with the Audit Manager and report back to the Committee the differences in the next regular update of the audit plan. L Rees, Principal Auditor also advised that it was a position statement and there was a list of recommendations provided by the Audit Team at the end of the report.
- 10.12. Councillor Jordan was also concerned that those on the high-risk register included social care, education, and finance in relation to the consultancy type reviews.
- 10.13. Councillor Horton request a list be provided to the Committee of those areas where consultancy type reviews took place. L Rees, Principal Auditor advised that Control Risk Self-Assessments (CRSA) were sent to adult and children's residential homes children and certain schools. It was a self-assessment, and they had a list of controls expected to be in place. There was full/partial/no compliance or Not Applicable and there were also mitigating circumstances in place. If the control was not in place at all, critical, significant, and moderate risks were identified.
- 10.14. The Chair thanked the Principal Auditor for clarity and asked if the Head of Finance could take this back and provide the Committee with an understanding of how these were dealt with going forward and how to deal with this as a Committee.

Recommendation:

- 10.15. That the Annual Internal Audit Report 2023/24 and overall Audit Opinion be noted and endorsed by the Council's Governance and Audit Committee
- 10.16. That the Head of Finance provide a reminder to the Directorate concerning the importance of overseeing the implementation of self-checking on improvement actions identified.
- 10.17. That a report would be provided to the Governance and Audit Committee to ensure the Committee was fully advised on any of the changes within the Audit Plan including the consultancy approach taken for services in a state of development.

10.18. Adverse assessments noted in the report would be called to a future Committee meeting, but this would be following the outcome of the follow-up report.

11. Work Programme

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

Comments of Committee Members:

11.2. The Chair advised that the call-ins referred to in comments on item 10 would be added to July as well as call-ins for September.

11.3. Training for new members would be included in the work programme.

11.4. Audit Wales would get in touch with the Governance Officer regarding the report for July.

11.5. The Head of Finance also mentioned that it was the Assistant Head of Finance's last meeting. The Committee thanked him for his work and wished him all the best for the future.

Recommendations:

11.6. The Governance and Audit Committee was 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.

12. Date of Next Meeting

The next meeting would take place on 25 July 2024.