

Minutes



Governance and Audit Committee

Date: 23 November 2023

Time: 5.00 pm

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

In Attendance: 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) E Bryant (Head of Law and Standards), L Rowlands (Democratic and Electoral Services Manager), T Strange (Governance Officer), A Jenkins (Governance Team Leader), G Lucey, K Watts and Z Ali (Audit Wales)

1 Apologies

None.

2 Declarations of Interest

None.

3 Minutes of the Last Meeting

3.1. The minutes of the meeting held on 26 October were accepted as a true record.

4 Statement of Accounts 2022/23

4.1. The Head of Finance gave an overview of the report to the Committee, which presented the 2022/23 Statement of Accounts and highlighted the key changes since they were initially published at the end of June 2023. The report also provided an overview of the key aspects of Audit Wales' ISA 260 report, as well as the Council's response to any issues raised. This was to enable the Committee to approve the signing of the accounts and complete the 2022/23 statement of account process.

4.2. The Accounts were authorised for publication on 30 June 2023 by the Head of Finance, and they were available for public scrutiny, as required by the Accounts and Audit (Wales) Regulations 2014, for a 20-working day period starting 21 August 2023.

4.3. Audit Wales conducted their audit of the Council's statement of accounts and issued the ISA 260 Report for 2022/23 which stated that an unqualified, or clean, audit opinion would be given. There were a number of corrections where technical guidance should be followed, which were detailed within the report. The ISA 260 and the statement of accounts were included as Appendix A and Appendix B of this report.

4.4. The Chair made it clear that the task for the Committee was not to consider the statement of accounts as they were agreed in June. Any questions should be based on the audit account report from Audit Wales. The key message was that Newport was in a good position and the Head of Finance would bring a 'lessons learned' report to the Committee at a later meeting.

Recommendation:

The Governance and Audit Committee

- Reviewed the content of the 2022/23 Accounts.
- Reviewed and noted the content of Audit Wales' ISA 260 report.
- Recommended that the 2022/23 statement of accounts were authorised by the Chair and the Head of Finance.

5 Audit of Financial Statements Report 2022/23

- 5.1. The Audit Manager for Audit Wales presented the report which summarised the key findings from the audit of Newport City Council, during 2022/23.
- 5.2. Audit Wales had now substantially completed this year's audit work.
- 5.3. In their professional view, Audit Wales complied with the ethical standards that applied to their work, remained independent of Newport City Council, and their objectivity was not compromised in any way. There were no relationships between Audit Wales and Newport City Council that could undermine Audit Wales' objectivity and independence.
- 5.4. Audit Wales intended to issue an unqualified, or clean, audit opinion on this year's accounts as confirmed in the Letter of Representation set out in Appendix 1.
- 5.5. There was one misstatement identified in the draft Statement of Accounts, which remained uncorrected. The Council normally valued its property asset portfolio every five years on a rolling basis, in line with CIPFA's Code (the Code). However, the Code also required Councils to verify that there were no material movements in the value of assets between valuations.
- 5.6. Given recent inflationary pressures, assets valued under the depreciated replacement cost method would likely be subject to material increases in value during 2022-23. Consequently, the Council (in line with many other Councils in Wales) had undertaken an exercise to uplift the value of affected assets in 2022-23 using appropriate industry indices.
- 5.7. Audit Wales was satisfied that the Council's approach to calculate these uplifts in value was reasonable and in line with Code requirements. However, some incorrect figures were included in working papers which led to the calculations being overstated by £1.7 million this year. The Council opted not to correct this misstatement given the volume and complexity of accounting entries required and the resulting impacts on supporting notes to the accounts.
- 5.8. This amount was comfortably below the materiality threshold and so the audit opinion was unaffected. As this was currently an annual exercise, this misstatement should also be corrected once uplifts for 2023-24 were calculated. Furthermore, the misstatement did not affect the general Council Fund balance as it related only to an estimate of asset balances at year-end.

5.9. There were other misstatements in the draft Statement of Accounts that had been corrected by management. However, it was believed that these should be drawn to the Committee's attention, and they were set out with explanations in Appendix 3.

5.10. Audit Wales thanked the finance team and all those involved in the work.

Comments of Committee Members:

5.11. Councillor Cocks referred to good governance of the Council and referred to p.29 pie chart which showed slippage in the Capital programme and queried whether the slippage caused any significant issues, and how this was being managed.

5.12. In the Chair's opinion, these questions needed to be posed in a different forum and not under this item. The Committee agreed that the questions were for Cabinet and Scrutiny. The Head of Finance confirmed that this was a regular item on the Senior Management Team agenda and a group had been convened to look at the capital programme to implement additional measures for increased assurance regarding this issue.

5.13. The Chair thanked the finance team for working on the accounts and noted that there were lessons to be learned. The Chair thanked colleagues from Audit Wales and appreciated that the statement of accounts being completed in November was earlier than most local authorities.

Recommendation:

- The Governance and Audit Committee noted the report.

6 Corporate Risk Register Q 2

The Transformation and Intelligence Manager presented the report to the Committee providing an update on the Corporate Risk Register for the end of Quarter 2 (1 July to 30 September 2023).

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

6.3. At the end of Quarter 2, there were 15 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.

6.4. Overall, there were nine Severe risks (risk scores 15 to 25) and six Major risks (risk scores 7 to 14) that were outlined in the report. In comparison to the Quarter 1 corporate risk register, one risk score increased (Newport Council's Property Estate) and one risk score decreased (Stability of Social Service providers). The remaining risks did not change in terms of their score.

Comments of Committee Members:

- 6.7. Councillor Jordan referred to an error on p.217. The Performance and Programme Manager confirmed that this showed the overall corporate and service area risk and full details were provided on p.224.
- 6.8. Councillor Cocks referred to a risk increase in relation to estate backlog on p.217 and queried if this related to Newport Norse. The Head of People, Policy and Transformation noted that the detail of the risk was a consideration for Cabinet, but explained the backlog maintenance on the estate concerning being costed at prices that have since increased, so more around financials than delays with work programme. Council was working through programme to rationalise assets, and this would help to resolve the issue with the maintenance budget.
- 6.9. The Head of People, Policy and Transformation confirmed that detail on the management of risk would be covered at the risk register training for the Committee, which would need to be arranged for a further date. The Chair agreed that another training session should be arranged following low attendance at the session earlier in the day and asked that everyone try their best to attend the next scheduled training.
- 6.10. The Head of People, Policy and Transformation confirmed that there was a strategic approach, and the published strategy and plan was under review, and was scheduled to be considered by the relevant Scrutiny Committee in the new year.

Recommendation:

- The Governance and Audit Committee considered the contents of the report and assessed the risk management arrangements for the Authority.

7 Governance and Audit Committee Annual Report 2022/23

- 7.1. The report was presented by the Head of Finance to the Committee which provided an opportunity for members of the Governance and Audit Committee to consider and comment on the Draft Governance and Audit Committee Annual Report 2022/23. The report demonstrated how the Committee met its Terms of Reference under the Council's Constitution as set out by the Local Government Measure 2011 and the Local Government and Elections (Wales) Act 2021.
- 7.2. The Committee achieved this by concentrating on its core responsibilities during the year.
- 7.3. The Governance and Audit Committee would present its Annual Report 2022/23 to full Council.

Comments of Committee Members:

- 7.4. Dr Barry wished to see the concerns of the Committee regarding Audit resource to be highlighted more in the report.
- 7.5. The Head of Finance considered it a fair comment and would consider how this could be reflected under the comments regarding the audit plan subject to a conversation with colleagues.

7.6. The Strategic Director added that the reporting period was to March 2023 therefore it could be picked up in next year's annual report.

7.7. The Chair mentioned that it was referred to in the previous year's budget setting process when saving proposals were being considered, therefore it should be added to the report.

7.8. The Chair also added that the number of call-ins made by the Committee should also be included in the report.

7.9. The Head of Finance would include this in the annual report.

7.10. The Chair thanked everyone involved in the report.

Recommendation:

- The Governance and Audit Committee agreed the Committee's annual report for submission to the Council in order to meet the requirements subject to minor amendments mentioned above.

8 Verbal Update from the Strategic Director: Social Services on the Unsound Opinion for Children Services - Safeguarding Children's Money

8.1 The Strategic Director - Transformation and Corporate provided a verbal update to the Committee on behalf of the Strategic Director - Social Services.

8.2 The Chair asked that the committee note the update and ask the Strategic Director - Social Services any relevant questions at a future meeting.

8.3 The Governance and Audit Committee noted the verbal update.

9 Verbal Update from the Strategic Director: Social Services re the Internal Audit of Adoption Allowances Resulting in a Third Consecutive Unsatisfactory Opinion

9.1. The Strategic Director - Transformation and Corporate provided an update to the Committee on behalf of the Strategic Director - Social Services.

9.3. The Chair asked that the committee note the update and reserve any relevant questions for the Strategic Director of Social Services at the next meeting.

9.3. The Governance and Audit Committee noted the verbal update.

10 Work Programme

10.1. The purpose of the forward work programme is 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.

Recommendation:

- That the Governance and Audit Committee noted the Work Programme.