

# Minutes

## Audit Committee

---

Date: 17 October 2019

Time: 5:00pm

Venue: Committee Room 1

Present: Mr J Baker (Chair), Councillors R. White, P. Hourahine, H. Thomas, K. Thomas, D. Williams, J. Jordan.

In attendance: Andrew Wathan (Chief Internal Auditor), Jan Furtek (Principal Auditor), Gareth Lucey (Audit Manager, Wales Audit Office), Paul Flint (Performance & Research Business Partner), Tracy Mckim (Policy Partnership & Involvement Manager), Deborah Weston (Service Manager Resources & Planning), Sarah Morgan (Chief Education Officer), Meirion Rushworth (Head of Finance).

Apologies: Councillor L Lacey, J. Guy.  
Dona Palmer (Audit Manager)

---

### 1. Apologies for Absence

Councillors L. Lacey, J. Guy

### 2. Declarations of Interest

None

### 3. Minutes of the last meeting

#### Agreed:

The Minutes of the meeting held on the 5 September 2019 were confirmed to be a true record.

### 4. Audit Committee Self Evaluation Exercise

The Committee Members were requested by the Chief Internal Auditor to fill out a Self-Evaluation Exercise. This was last completed by Committee Members 2 years ago in November 2017. The Chief Internal Auditor explained that the exercise was to ascertain how the Members felt Audit Committee was operating and how effective it was, including its roles and responsibilities, internal processes, how it was run etc. The Chief Internal Auditor requested for the exercise to be completed and returned and Committee Members were advised that the Chief Internal Auditor was available for consultation if Members needed to discuss the exercise further.

The Chair requested for Members to complete the exercises this year and these responses could then be reflected in the Annual Governance Statement.

## **5. Public Sector Internal Audit Standards**

The Chief Internal Auditor explained to Audit Committee Members that an external review was conducted in March 2018 and it was found that Audit was generally compliant with the Standards (the highest level of compliance). There was an updated action plan with 9 actions that were required to be undertaken. In a verbal update the Chief Internal Auditor confirmed that 8 actions had been addressed with 1 action still outstanding. This action will be addressed by the end of this financial year and the next assessment will be in 4 year's time. It was mentioned how the team compared to other audit teams and it was confirmed that the team were comparable with all other Internal Audit teams in Wales.

## **6. Corporate Risk Register Update**

The Committee was requested to view the Quarter 1 Corporate Risk Register Update. The Policy Partnership & Involvement Manager explained to the Committee that the role of audit was to assess risk management processes. Cabinet also received risk updates.

### **Main Points:**

It was confirmed that the Risk Management Policy was being redrafted and would be presented to a future Audit Committee with changes.

At the end of Quarter 1 there were 7 High Level risks identified (risk scores 15-25) and 5 medium risks identified (risk scores 5 to 14).

At the end of Quarter 1 there were 12 corporate risks which consisted of 8 high and 4 medium risks. Appendix 1 of the report provided a summary of the new Corporate Risk Register 2019/20.

The summary of risks were as follows:

- A new risk identified as Demand for Additional Learning Needs (ALN) and Special Educational Needs support had been added in.
- The Brexit Risk was carried forward into 2019/20 and its risk score had been increased to 16 and reflected the current ever-changing situation.

### **Questions:**

A Member commented that they thought that the process was fine but queried the rise in risk in Newport Councils Property Estate which had a risk of 16 and where did the Committee query this. It was confirmed that Cabinet looked at the scores and that the Audit Committee should not query the detail of the risk.

A Member commented that the new risk of Educational Out of County Placements was a surprise as it was thought that this area was fine due to a new building that had been sourced for Looked after Children needing placements.

The Policy Partnership & Involvement Manager confirmed that this was an education risk in relation to the new education requirements, which is what the risk referred to.

It was discussed how the Social services risk was a risk involving the whole Council but this Education risk was a higher risk than that and that these 3 Educational risks compound on each other.

The Chair mentioned that the Committee looked at the general process but that there could be a possible change in audit, so at that stage, we could look at this in future. This change could occur in about 18 month's time.

It was questioned as to who was responsible for the Brexit issues and it was confirmed that Cabinet was responsible for this issue. The total risk register was managed by Cabinet and the process was reviewed by Audit. It was discussed how Brexit affected all things but some were more impacted than others and the Chair confirmed that it was a valid question. It was confirmed that all Members could attend briefing sessions in relation to Brexit.

A Member had a question regarding school financial pressures and what they would look like in Quarter 2. It was discussed how some schools were struggling with deficit and that Education Services and the Finance teams were working together to reduce this deficit.

At the end of Quarter 1 the risk of schools presented as showing a deficit and scored a high risk and a member asked why there was a deficit and what would happen. The Chair commented that this was maybe an issue for Scrutiny.

The Chair also commented on the Risk Score Profile table on page 17 and what the Committee wanted the risk to become and should there be a comment to say how it would be reduced. The Chair also commented that it would be useful if there was a column to see the direction of risk.

A Member asked how we knew that the assessment was correct, the implication of Brexit could be years ahead and as a Council we were occupied by Brexit but could we do much about Brexit. The Member also questioned whether this risk was overestimated.

The Policy Partnership & Involvement Manager confirmed that there were many things the Council could do regarding Brexit and the individual areas impacted were scored. In relation to the risks escalated there was a further review by the senior leadership teams, which was then further agreed at Cabinet. A presentation of this process will be presented to the Committee in a future meeting.

There was a query regarding paragraph 3 on page 13 in relation to Risk Appetite and whether there was one at the moment.

It was confirmed that a new Risk Management Policy would replace the current Risk Management Strategy and there were some discussions being held with Cabinet Members as to what a Risk Appetite should be. The new strategy would be assertive as to what this was. It was explained that there was an evolving risk appetite so this was not reflected in risk policies.

In relation to the risk regarding vulnerable children there was caution in this area. The Chair commented that in relation to Financial Controls should there be a bit more risk and it was agreed that this could be expressed better.

The Chair commented that it was limited as to what Members could do, the Committee could query the process but the Committee could not say one figure should be another. Welsh Government could determine that this could alter and maybe Audit could make decisions of this kind in the future.

It was suggested that maybe it would be helpful in a future agenda for the Committee to receive a presentation on the Risk Process.

The Chair confirmed that they attended an Audit Committee Chairs Conference where a consultation document was being considered and the plan was for Welsh Government to agree to the document, subject to consultation where it would then be widely circulated.

Audit Committee therefore might change and so the plan would be brought to the Audit Committee in the future.

**Agreed:**

For the Audit Committee to receive a presentation on the Risk Process at a future Committee.

**7. Call In the Headteacher and Chair of Governors of Caerleon School re the Internal Audit Unsatisfactory Opinion**

The Chair confirmed for the Committee that this agenda item would be number 8 and that the agenda item "*Call in the Chief Education Officer re the Internal Audit of School Trips and Visits resulting in a second Unsatisfactory Opinion*" would now be item number 7.

The Chair reiterated that the Committee had been advised that this agenda item be deferred to the next Committee meeting in October as September was a busy time for schools. An invitation had been sent to the Chair of Governors and the Headteacher of Caerleon School but an extension had been requested by those parties to defer further to November's Committee.

The Chair expressed disappointment that the invited parties were not present as both parties needed to be at the Committee. It was commented that the Chair did not find this acceptable.

The Chair suggested for the agenda item to be postponed to November's Committee and if the Chair of Governors and the Headteacher were not present, the Committee would proceed without those parties present.

The Chair commented that the Audit took place in December 2018 and it was months before the present Committee taking place and if parties disagreed with the report then they needed to discuss the material in the report.

A Member stated that they were not satisfied with the parties not being present at the Committee and wanted this challenged.

The Chief Internal Auditor commented that they were aware that some of the issues were being addressed and that the Headteacher had disagreed with some of the concerns raised in the Internal Audit report. The final report was submitted last week and this contained management comments from the Headteacher. It was not known whether recommendations had been actioned at this stage; this will be checked when the Internal Audit team undertake a follow up audit within 6 to 12 months of the final report being issued.

A Member asked whether the school were in the process of discussing the issues with Finance.

The Head of Finance confirmed that a lot of work was completed with all schools in relation to their budgets as well as Caerleon School. They also confirmed that the situation was not resolved but conversations were ongoing and the Council took a firm view. Actions had been suggested to the school which would be considered by the Headteacher and when Finance consulted with the Headteacher at their next meeting, it would be confirmed at that time.

A Member questioned whether this non-attendance was an attempt to stall as there were concerns regarding the figures, in terms of the projected £1 million deficit as it needed to be brought down as it was concerning.

The Chair agreed with this statement and stated that wider questions needed to be asked but this was not appropriate for this meeting. The Chair also stated that if the invited parties did not attend November's meeting, the Chief Executive would be notified of this absence.

It was confirmed that the figures would be revised soon, and the Chair requested for the Head of Finance to provide a verbal update to the Committee on the latest position at a future Committee.

It was commented that the Committee required written answers in relation to whether the issues highlighted had been addressed by the school as the Committee could possibly be discussing issues that may have been addressed. It was confirmed by the Chair that a written response would be requested from the Headteacher.

It was discussed by the Committee that there were other issues in the Audit report that were concerning not just the financial issues which were also worrying as there were concerns regarding possible negligence.

The Head of Finance confirmed that all issues needed to be looked at as the deficit was worrying as well as the basic day to day issues and a balanced conversation was needed.

It was questioned by a Member that issues like this should possibly be on the Corporate Risk Register.

The Chief Internal Auditor confirmed that the report presented to Audit Committee was a summary of key weaknesses identified during the audit of the School; and it

was suggested that the Audit Committee could receive a presentation from the Chief Internal Auditor in future of how Internal Audit reports are compiled and how the overall opinion is arrived at taking into account strengths and weaknesses.

It was stated that item 3:10 in the *Moderate* table had been previously in the *Significant* table in previous versions of the Internal Audit report and this reflected work that was done. The risk was reassessed after consulting with the Headteacher.

**Agreed:**

- For the agenda item to be deferred to the Audit Committee on the 21 November 2019.
- For the Governance Support Officer to send a letter to the Headteacher of Caerleon School requesting a written response in relation to the audit report presented to the Audit Committee.
- The Head of Finance to provide a verbal update on financial progress.

**8. Call in Chief Education officer re the Internal Audit of School Trips and Visits resulting in a second Unsatisfactory Opinion.**

As previously stated this item was changed by the Chair from item 8 to item 7.

The Chief Internal Auditor informed the Committee that following the presentation of the Internal Audit's six monthly update on unfavourable audit opinions in June 2019, Members of the Committee agreed to call in the Chief Education Officer to provide reasons why controls were poor and to provide assurances to the Committee that actions would be taken to make the necessary improvements.

The Chief Education Officer explained that in the procuring of an expert working in the service, value for money was very important and as it was very difficult to risk assess school trips, alternative solutions were considered such as what was available in other local authorities. However nothing had met service needs and now as an option for a new contract on January 1<sup>st</sup> 2020 had arisen, Audit were informed that there would not be anything in place until then. It was confirmed for the Committee that this new contract would meet Audit requirements.

**Steps taken:**

- A contract for a further procurement expert was delayed.
- In relation to the Evolve computer based system, 1-2 trip coordinators were needed to log on the trips for approval e.g. a small trip or a large long distance trip. A number of people logged on this system that should have been removed were still on the system. It was advised that the checks on the trips would be carried out by the trips coordinator and if the Evolve system was different then the school was contacted to remove that person and this was done in a dual way but the responsibility was placed on the school and this would be tightly mandated in the future.
- Criticisms were noted where schools had not provided adequate 28 day's notice of a trip. Schools had been submitting late information as Schools pay into those trips. The school had been notified that this was unacceptable. As this did not meet Audit requirements checks were now being done on all school trips coming through and those that were not authorised by the trips

coordinator were being highlighted in red. Two schools had submitted a late notice and this was escalated to the Headteacher. It was hoped that this assured the Committee that improvements had been made.

- No unauthorised trips were identified. It was up to the Headteacher and governing body to ensure authorisations were made and it was potentially a disciplinary issue if authorisations were not made.
- In relation to Training it was picked up by Audit that training was not received but was now advised that training was now offered every autumn term on a bespoke basis. Evolve has a training facility to evidence training was being done which was now being used as it had previously not been utilised.

### **Questions:**

It was discussed that if a school trip was not authorised and an incident occurred on that trip then the liability lies with the Headteacher and the Governing Body.

If the trip was authorised and an incident happened then it depended on the nature of the incident, however the school was always liable for the safety of individual pupils and that the risk assessments have been addressed.

The Chair questioned that if the liability was with the school what difference did Evolve make. It was confirmed that it demonstrated that the risk assessment was completed and that the Headteacher was not the trip coordinator and that certain categories needed more high level status.

It was explained for the Committee that when a trip occurred the ratio of teachers that have to be there depends on where the trip is, gender of pupils, food and drink required, weather conditions also and the Trips coordinator would also need to know the terrain of the location etc and so it was a very detailed risk assessment.

A Member asked a question as to who was responsible for outside activity. It was stated that the trips guidance came up in 2010 from Welsh Government and the trips policy was now agreed and it was the school's responsibility to have it authorised.

A Member mentioned a previous trip where a person had died while on a school trip and how the schools ensured safety as it was a concern. It was confirmed that there were arrangements at present and it was being looked at as to whether it was the appropriate level, and a trip was never allowed to occur if the risk was too high.

The Chair made reference to point 1.09 on page 50 and asked whether it was a problem and it was confirmed that this was a self-employed individual and this role was limited on the market so it was a case of balancing the risk and alternative delivery models were being looked at. The Chair stated that they had no problem with a third party etc but that this line implied that this person was caught by IR35 so was this a finance issue as every contractor has to be considered in the same way.

It was explained that the process was that the person would go through HR and Payroll but were they properly assessed and would payroll do this. It was recommended that the Head of Finance could have a discussion with the Chief Education Officer and the team about this. HR had already provided support.

The Chair commented that there were two unfavourable audit reports and that this was easily fixed. The Chief Education Officer stated that the issue was that the individual was retired and that they did not want an employment contract with the Council and if enforced they may no longer be interested in the role.

The Chair confirmed that they did not need an employment contract for this individual and they were still caught by IR35 so did not need this.

To summarise, the Chief Internal Auditor stated that Audit were checking against council policy to make sure things were compliant and in some cases strengths and weaknesses were present but that the Committee could be reassured that improvements were being made.

## **9. Date of Next Meeting**

21 November 2019