

Report



Governance and Audit Committee

Part 1

Date: 26 May 2022

Subject Newport Annual Audit Summary 2021

Purpose To provide an informative summary of Newport City Council Annual Audit Summary 2021.

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Ward All

Summary As part of the programme of regulatory activity, in accordance with the Well-being for Future Generations Act 2015, Audit Wales undertakes a programme of work to ensure the Council is discharging its duties under the Act.

The Annual Audit Summary produced by Audit Wales provides an overview of audit work completed in 2020/21 at Newport Council and how the Audit Wales fulfilled its duties undertaking continuous improvement, audit of accounts, value for money, and sustainable development. The Report also includes an overview of planned Audit Wales work for 2021/22.

Proposal For the Governance and Audit Committee to consider and note the contents of this report from Audit Wales.

Action by Executive Board
Corporate Management Team

Timetable Immediate

Signed

Background

As part of the programme of regulatory activity in accordance with the Well-being of Future Generations (Wales) Act 2015, Audit Wales undertakes a programme of work to ensure the Council is fulfilling its duties under the Act. Purpose of the report is to demonstrate the work carried out by Newport City Council since the last Annual Audit Summary issued in March 2021.

Report Overview

To meet the Auditor General's duties, Audit Wales assesses the Councils financial statements and determines whether arrangements have been put into place to secure value for money. Audit Wales findings and conclusions are summarised below:

Audit of Newport City Councils 2020-21 statement of Accounts:

- The Auditor General gave an unqualified true and fair opinion on the Council's financial statements on 16th November 2021.
- The Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were also consistent to the financial statements prepared by the Council.
- The quality of the draft statements presented for audit on 6th July 2021 was mainly good.
- Several changes were made to the Council's financial statements arising from the audit work, which were reported to the Governance and Audit Committee (GAC) in the Audit of Financial Statements Report in November 2021.
- In addition to the Auditor General's responsibilities for auditing the Council's financial statements, there is also a responsibility for the certification of several grant claims and returns. Work is still ongoing, and Audit Wales will report the outcome of this work in greater detail to the GAC once completed.
- The Auditor General issued the certificate confirming the audit of accounts for 2020-21 has been completed.

Continuous improvement:

- The Auditor General certified that the Council had met its remaining Local Government (Wales) Measure 2009 duties for the financial year 2020-21, as saved by an order made under the Local Government and Elections (Wales) Act 2021.
- Audit Wales noted a reduced reference to comparative performance information, although recognising that the COVID-19 pandemic led to the suspension of some national data collection.
- The ability to compare data and performance with other organisations will continue to be an important aspect of arrangements to secure value for money, and a challenge for councils as they continue to implement requirements relating to self-assessment as required in the Local Government and Elections (Wales) Act 2021.

Financial Sustainability

- Audit Wales concluded Newport City Council has a good understanding of its financial position.
- Newport City Council recognises the need to transform its service delivery for future sustainability, however further work is required to design and implement these changes.

Discretionary Services (April 2021)

- Financial pressures have led Councils to reduce spending and cutting services, however the pandemic has demonstrated local government services are essential to keeping the public safe.
- Audit Wales recognised the demand for some essential services is continuing to increase, and several Councils are not confident that they can effectively deliver these services in the face of rising and complex demand.
- Audit Wales recommends that Councils need to take the opportunity to refresh, reevaluate and reset what they do and learn from the pandemic, to build a stronger and better future.

Planned work for 21-22

Audit Wales reviewed the key challenges and opportunities that faced the Council. These could impact on the Council's ability to meet its legal as regards to the sustainable development principle and the use of its resources. The largest risk and issue facing the Council and the wider public sector during 2021-22 is COVID-19. Audit Wales have shaped their work to provide re-assurance and support the Council through this period. The planned work for 2021-22 includes:

Assurance and risk assessment including a focus on:

- The Local Government and Elections Act (Wales) 2021
- Recovery planning
- Carbon reduction plans
- Self-assessment arrangement
- Financial position

Full detail of the report can be found:

Appendix 1 – Newport City Council Summary 2021 (English)

Appendix 2 – Newport City Council Summary 2021 (Welsh)

Financial Summary (Capital and Revenue)

Not applicable. There are no direct costs associated with this report.

Risks

| Risk Title / Description | Risk Impact score of Risk if it occurs* (H/M/L) | Risk Probability of risk occurring (H/M/L) | Risk Mitigation Action(s) What is the Council doing or what has it done to avoid the risk or reduce its effect? | Risk Owner Officer(s) responsible for dealing with the risk? |
|---|--|---|---|--|
| Newport City Council does not implement recommendations and actions from Audit Wales. | M | L | Audit Wales reports and recommendations are implemented as necessary by the relevant service area. | Director for Corporate and Transformation |

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

[Corporate Plan 2017-22](#)

Options Available and considered

1. Governance and Audit Committee to consider and note the contents of the report.
2. Governance and Audit Committee to request further information or reject contents of the report.

Preferred Option and Why

1. Governance and Audit Committee to consider and note the contents of the report.

Comments of Chief Financial Officer

There are no direct financial implications arising from this report, which takes a retrospective view of work completed by Audit Wales over the last year. The report is for information only and captures viewpoints and information that will have largely been reported previously, for example the audit of the 2020/21 Statement of Accounts. It is positive that the report acknowledges the Council's sound understanding of its financial position and resilience, as well as the good quality of the draft statements that were presented for audit in July 2021.

Comments of Monitoring Officer

There are no specific legal issues arising from the report, which presents the Annual Audit Summary of the Council audit work completed by Audit Wales in 2020/21. The Annual summary includes all of the statutory audit work carried out during the last completed financial year, including the audit of accounts, and their assessments of how the Council is meeting its duties to secure value for money, continuous improvement and sustainable development in accordance with the Well-being of Future Generations Act 2015. The report is being presented to Governance & Audit Committee for information, given its role in overseeing the Council's external audit arrangements and its systems of internal control, financial management and corporate governance.

Comments of Head of People, Policy & Transformation

Newport Council welcomes this report from Audit Wales and its assessment on the effectiveness of governance, finance, and performance arrangements in the Council. The work undertaken by Audit Wales provides necessary assurances and areas for improvement by the Council to implement. The challenges and opportunities faced by the Council will be considered as part of the development work for the Council's Corporate Plan and future risk assessments. There are no HR implications in this report.

Scrutiny Committees

Not applicable. Information report only.

Fairness and Equality Impact Assessment:

Not applicable as this report is an information only report for the Governance and Audit Committee.

- **Wellbeing of Future Generation (Wales) Act**

The review undertaken by Audit Wales was completed in compliance with the Well-being of Future Generation (Wales) Act. The findings and recommendations from Audit Wales consider the principles of the Act providing assurances that the Council has due regard for sustainable development and the five ways of working.

- **Equality Act 2010**

Not applicable as this is an information only report for the Governance and Audit Committee.

- **Socio-economic Duty**

Not applicable as this is an information only report for the Governance and Audit Committee

- **Welsh Language (Wales) Measure 2011**

Audit Wales are committed to implementing and maintaining the Welsh Language Standards. The standards promote and facilitate the Welsh language and ensure that the Welsh language is not treated less favourably than the English Language in Wales. Audit Wales promotes the Welsh language through various situations and services to the public, audited bodies, and stakeholders.

Consultation

Not applicable. Information report only.

Background Papers

Not applicable.

Dated: 24th March 2022