

Draft Minutes

Governance and Audit Committee

Date: 30 March 2023

Time: 5:00pm

Venue: Council Chambers- Hybrid Meeting

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

In attendance: Andrew Wathan (Chief Internal Auditor), Dona Palmer (Audit Manager), Jan Furtek (Audit Manager), Gareth Lucey (Audit Wales), Paul Flint (Performance & Risk Business Partner), Tracy McKim (Head of People, Policy and Transformation), Janice Dent (Policy and Partnership Manager), Meirion Rushworth (Head of Finance), Laura Mahoney (Senior Finance Business Partner), Rhys Cornwall (Strategic Director – Transformation & Corporate Centre), Mark Bleazard (Digital Services Manager), Bridie Edwards (Complaint Resolution Manager) Leanne Townsend (Team Leader-Technical).

Leanne Rowlands (Democratic and Electoral Services Manager), Anne Jenkins (Governance Team Leader), Pamela Tasker (Governance Support Officer)

1. Apologies for Absence

Councillor Horton.

2. Declarations of Interest

None received.

3. Minutes of the Last Meeting

The Minutes of the last meeting were accepted subject to the following:

D Reed referred to grammar mistakes on pages 5, 6, 9, and 11.

Dr Barry referred to the actions table and mentioned that there was no form of tracking the actions from previous meetings. The Chair concurred and said that all rolling actions should be listed and ticked off as they were closed.

The Strategic Director, Transformation and Corporate advised that, actions were passed on to the relevant officers, although many of the items in the action table was recommendations rather than actions and as such there would not an outcome or conclusion other than that the comments have been passed on to the relevant area.

4. Update on Compliments, Comments and Complaints Management Report

The Digital Services Manager introduced the report to the committee advising that this was an update on the report that was brought to Committee in September 2022. As this was an interim report a final updated version would be brought back to Committee in September 2023.

The Complaints Resolution Manager gave a summary of the update, advising that the policy had been revised and signed off by Cabinet.

Some of the improvements to the policy included simplification of the layout and shortening the document.

There was also clarification on the difference in processes followed for Corporate and Social Services complaints.

In relation to corporate complaints, the timescales for raising concerns had been reduced from 12 months to six months since the issue occurred, which was in line with other Local Authorities. The criteria for declining a concern was also detailed in the update, as were the performance monitoring details.

There are four workshops planned for delivery for staff across the Council, which will commence in May 2023.

In relation to 'My Council Services', the software used to record and monitor complaints, compliments and comments has seen an increase in comments, with over 4,000 received; analysis revealed that this was in relation to requests for service. Considering this, two new forms were created, one for refuse and the other for Wastesavers. This meant that requests for service went straight to the service area and were not recorded as a comment. This had resulted in the comments being significantly reduced.

The 'My Council Services' software, used to facilitate webforms and complaints, will be updated to reflect the new service area structures as well as in the annual report, including service area improvements introduced in response to the compliments and complaints received.

In terms of consistency and standardisation of the complaints process, the policy provided a new uniformed approach in complaints handling and the Public Services Ombudsman for Wales was keen that the Council followed the two-step process, which was now firmly in place.

In relation to supporting other service areas, the team had been working very closely to analyse compliments and complaints, using the feedback to inform recommendations outlining how services could be improved for residents.

The policy concerning unacceptable actions by customers will be reviewed with the input of other departments including Health and Safety and Customer Services.

Finally, the team would be looking to support skills around digital inclusion for staff, under the digital strategy, in order to improve digital accessibility for residents.

Committee Member Comments:

- Councillor Cocks considered that the report was thorough and useful and that it was good to see positive comments as well as complaints. Councillor Cocks found the

Newport App useful, however referred to residents who may not have access to computers. Since the budget, there have been some changes regarding making contact with the Council by phone and the hours of availability. Whilst mitigation measures include making computers available and providing training for people on how to use them, how did the complaint system accommodate those who did not have access to a computer or were unable to attend training sessions.

The Digital Services Manager advised that Digital Strategy made specific inclusion regarding digital skills. However, the Council also accepts complaints made verbally, including by phone or face to face. Channel shift, and the overall challenges this brings is part of a wider debate for the organisation, however access to submit compliments, comments and complaints is provided through numerous channels.

- The Chair agreed that this was a good report and demonstrated progress being made and asked for thanks to be passed on to the team. The Chair surmised that the issue was ensuring that the citizens are fully aware of how to raise a complaint. The Chair remarked that councillors, as elected representatives for their ward are also advocates for residents; therefore, if people did have complaints, they could contact their local councillor. The Chair outlined the importance of making it as accessible as possible for the people of Newport to make complaints, compliments, and comments.

The Chair commented on the presentation of the six-month report, and figures which were referred to but not included in the report. The Chair requested that the Committee receive a six-monthly report to include trend data. The Chair felt that this would help to ensure that appropriate action was being taken in response to trends and issues identified in the data. The Chair summarised that the outcomes of the complaints were the most important part as this is what benefits residents. The Chair posited that this also helps to ensure that the public is getting value for money for services with the resources available.

The Strategic Director, Transformation and Corporate advised that the format could be investigated however, the Committee needed to be mindful that it did not stray into role of the Performance Scrutiny Committees looking at the performance of those services. The Governance and Audit Committee role was around the application of the policy. However, the six-month review was a legitimate question, and this could be reviewed.

The Digital Services Manager advised that the other point to make was the period of transition, the figures would be slightly misleading because they were not complete. The reason being that the complaints team at one point was an extra step in the chain rather than it going to directly to a service, it was passed on to the complaints team. That was a flavour of changes going forward and this would have an impact on the figures.

- Councillor Jordan also queried telephony services and mentioned that in Torfaen, if a customer contacted them by phone, they would be immediately transferred to a back office where someone would assist in filling out an online form. The Digital Services Manager confirmed that the Contact Centre service uses the same form to submit complaints to services as those used by residents completing their own forms online. So, when a customer call Newport to raise a complaint, the Contact Centre Advisor is completing a form on their behalf.

Resolved:

The Governance and Audit Committee considered the updates within the report and noted their assurance of progress to date.

5. Corporate Risk Register

The Council's Corporate Risk Register monitored those risks that may prevent the Council from achieving its Corporate Plan or delivering services to its communities and service users in Newport. At the end of quarter three, October to December, there were 14 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. Overall, there were seven severe risks (risk scores 15 to 25); seven Major risks (risk scores seven to 14); that were outlined in the report.

In comparison to the quarter two Corporate Risk Register, there were no new or escalated risks, and no risks were closed. One risk, related to Ash Die Back had decreased its risk score due to the mitigation in place: with 13 risks remaining the same. No risks were escalated or de-escalated in quarter three. As set out in the Council's Risk Management Policy, Cabinet reviewed the Corporate Risk Register on a quarterly basis ensuring procedures were in place to monitor the management of significant risks. The Register is likely to change following the approval of the new Corporate Plan and priorities for service delivery. The Policy and Partnership Manager highlighted that in quarter three the risk plan was reassessed differently based on feedback from the committee. Additionally, service areas were asked to consider the external impacts of the Council's Medium Term Financial Plan (MTFP) alongside the increased demand of pressures on the services risk and the cost-of-living increase which impacted on businesses, residents, and the Council. Risk Assessments were reviewed by the senior management team and target risk scores were adjusted to reflect the challenging position. The Council is tolerating more risks due to the current situation. The senior management team continue to closely monitor and reassess these risks regularly and monitored the actions being taken.

Committee Member Comments:

- Dr N Barry thanked the Policy and Partnership Manager for the clear introduction and paper. Dr Barry realised that this was a retrospective report but was aware it was approaching the next financial year and asked if the corporate plan would be ready by 1 April. The Performance and Programme Manager advised that the corporate plan was approved in November 2022 and was available online.
- Councillor Cocks referred to page 46 of the report pack and the budget, where it referred to contract inflation, and asked what the level of risk was involved; what costs were already fixed, and whether contractors could raise their prices in relation to inflation. The Head of Finance advised that the risk stated for Quarter 3 reflected the uncertainty concerning potential cost increases and challenges that would create for the budget.

Councillor Cocks asked if this related to existing contracts. The Head of Finance advised that it was; energy costs had the highest inflation, but this had been mitigated by the purchase being made in the final quarter of the financial year which had turned out to be the best time to purchase pricewise. However, the general comments applied to capital projects as well as revenue due to the uncertainty of inflation. The general risk concerned setting the budget in an uncertain environment, however 60% of the expenditure was from the last quarter of the financial year which was had turned out to be the optimum time to buy.

- The Chair asked for clarification on the retrospective report from October to December, and how the budget setting process could have taken the circumstances of February/March into consideration. The Performance and Programme Manager confirmed that all risk owners and heads of service had reassessed their risks and at that

point of time they would be going through budgets and assessing the forecast spend against expected budgets. There were some knowns and unknowns, this was why there may be an increase in the target risk score at that time. This was an ongoing process and risk scores are constantly reviewed; the role of the executive board was to challenge if this was a fair reflection of the risk.

- Councillor Cocks referred to Page 65 of the report relating to schools; he queried whether it was correct that the only risk identified was cost pressures that may not be met due to increased budget deficit. Whereby as a governor, Councillor Cocks had seen cutbacks in teaching and school resources and wondered why this did not feature in the report, as one of the criteria for risks included potential failure to deliver strategic objectives. The Strategic Director, Transformation and Corporate, advised that the committee's role was to give assurance that the appropriate processes were in place; if the committee felt that there were some issues that were not reflected in the register, then this would be fed back to the service area for review. The Strategic Director confirmed that this would be added to the recommendations log for highlighting to the Chief Education Officer.
- Councillor Jordan referred to page 27, new risks since Quarter 2 and page 34 of the report pack gave a breakdown of new risks but it did not advise what the new risks were. The Performance and Programme Manager would provide the information to the committee as also requested by the Chair, however a lot of the risks were at service level, not strategic, and were not significant enough to be raised in the corporate risk register. The Strategic Director, Transformation and Corporate explained that the Governance and Audit Committee looked at the corporate risk register signed off by Cabinet. The other risks were included in service plan updates that went through Performance and Scrutiny Committees under the Council's governance framework.
- D Reed referred to page 65 of the report pack and asked what happened if schools could not set appropriate budgets. The Head of Finance advised that whilst officers built the budgets using as many certainties as possible, not everything can be known in advance. If the assumptions made at the time turned out to be incorrect then this would create an in-year budget challenge to manage. The Head of Finance went on to say that there was always a possibility that some of the assumptions may not be correct. Whilst the outcome of pay awards will have an impact in terms of potential further challenges within school budgets, but this will not be a known factor for some time. Until governing bodies had met and agreed their budget following pay agreements, the outcome will not be confirmed. However, schools factored onto the corporate risk register is an assurance that the process was working.
- The Chair queried how long the school would have to resolve the issue if it was to go into a negative situation, and whether the Council has a policy in place to allow the school to be in a negative situation for two to three years with the provision that they must use this time to get back to a balanced budget. The Chair expressed concerns that the pay awards could lead to many schools being in negative situation in the next 6-9 months. The Head of Finance advised that proof of the risk management process working was evidenced by this issue being on the register as a challenge and concern. The Head of Finance went on to confirm that there was a protocol and framework for schools concerning licenced deficits. Furthermore, school reserves had been increased over the last two to three years and it was expected that those reserves would be fully utilised. The key was to understand if this situation was a one-off or could the base budget not; the next step was working closely with schools to try to resolve this. The Head of Finance stated that school expenditure was the biggest budget area within every council and whilst there were challenges ahead, the process was robust.

- D Reed referred to the schedule on page 44, which was a very helpful element of the report, and provided context and assurance concerning where the risk was tracking and what was expected.

Resolved:

The Governance and Audit Committee considered the contents of the report and assessed the risk management arrangements for the Authority, providing any additional commentary and/or recommendations to Cabinet, this included the comments discussed in relation to Education to be fed back to Cabinet.

6. Lessons Learned 2021/22: Accounts Closedown and Financial Statements Preparation

The Head of Finance explained that the report presented the findings of an initial lessons learned review carried out by finance officers following the 2021/22 accounts closedown. The report provides an assessment on the findings of the lessons learned review, the plans in place to implement actions identified for 2022/23, and the key risks to the closedown process for 2022/23. The report showed full conversations with Audit Wales and listed both smaller concerns and bigger issues identified.

The Senior Finance Business Partner (Chief Accountant) highlighted that following the closedown of the 2021/22 accounts, a lessons learned review was undertaken to put into place further improvements for future closedown processing. The outcome of the lessons learned review was considered along with the outputs from the audit of the 2021/22 accounts; three specific recommendations were given high priority to ensure improvements were delivered for 2022/23 closedown.

Committee Member Comments:

- D Reed referred to the Related Party relationships, page 76 of the report pack and that it was the second year that Audit Wales had flagged this as a weakness. D Reed queried whether this was difficult for councillors to complete. The Senior Finance Business Partner (Chief Accountant) considered that the election last year might have been the reason that all were not returned. D Reed stated that this response suggested that it would not be as difficult to see a better response in the next year, and more robust measures to ensure completion would be welcomed.

D Reed also referred to the Accruals, on page 73 of the pack, that stated most schools were not on the council finance system for purchase orders, and asked what action was being taken to address this. The Senior Finance Business Partner (Chief Accountant) advised that there is a new finance system being implemented which should be going live by end of next year, and officers would be working with schools to bring them onboard; all schools were welcoming of the new system.

D Reed asked if there was there an action plan that reference the topics highlighted in the lessons learned report, in a similar way as risk mitigating actions are recorded. The Senior Finance Business Partner (Chief Accountant) mentioned that there is nothing formalised at present, but this was something that would be reviewed on an ongoing basis, and part of this would be looked at by Audit and Audit Wales. The Senior Finance Business Partner confirmed that there was a document that formed the basis of this report which would also be part of the review. The Head of Finance thanked D Reed for his comments, which would be taken on board, as an action plan would be a simple but effective tool to support completion.

- The Chair agreed with D Reed's comments and suggested that whilst there was a lot of detail in the report, it needed a simpler format, and he felt that an action plan was essential.

The Chair referred to assurance regarding capacity; Information from Third Parties - transport and Leasing and IFRS. The Chair stated that it was pleasing to hear that there is an additional member of staff, but still further assurance was needed, as there may be a gap in the process that could be filled through an action plan.

Finally, the Chair mentioned the Related Party forms not being handed in by councillors and whether this should be enforced. The Chair was concerned that Audit Wales had picked this up on a second occasion. If this was also an issue in the future, the Chair stated that he would write to the Leaders of each group to ensure that these forms were being completed. The Head of Finance mentioned that the forms were being issued with a submission deadline in late April and any councillors outstanding would have the opportunity to complete their forms following the April Council meeting.

Resolved:

The Governance and Audit Committee noted the lessons learned process that was carried out to date and the planned improvement following this review.

7. Audit Wales NCC Outline Audit Plan 2023

The outline plan document was prepared in accordance with statutory functions carried out by Audit Wales. The Outline Audit Plan specified the statutory responsibilities Audit Wales has as an external auditor and the obligations that must be fulfilled under the Audit Code of Practice.

Members of the Committee might have noted the slightly different format by comparison to the report they considered last year, the difference being due to this document being an outline plan and not the final plan, which would be presented again in the summer.

The Audit Wales Officer provided the Committee with the headlines of the Outline Plan. A detailed Audit Plan would be shared later in the year following the completion of planning work. This would set out the estimated audit fee and the work that was intended to be undertaken by the Audit Team to address the audit risks identified and other key areas of audit focus during 2023.

The document also outlined the Audit timeline of key dates for delivery of audit work and planned outputs, along with the key changes to ISA 315 and the potential impact on Newport City Council. This represented a fundamental change in planning the risk assessment process as set out in detail in Appendix 1.

In terms of main headlines of this outline plan, page 85 of the report pack set out the fact that Audit Wales could not yet confirm the estimate for the year. Reference was made to the published fee scheme, which was approved by the Senedd earlier this year; the scheme had exceeded expectations of fees this year due to the introduction of ISA 315, which caused an increase in the region of 12 to 18%. The exact fee estimate would be confirmed later in the year, and only affected the financial work. There was also an element of inflationary increase that would follow in due course.

Key team members were also set out in the document. The committee was asked to note the new Audit Lead, Katherine Watts, who was welcomed to the team.

The proposed audit timeline concerning the financial audit proposed to complete the audit and certification of accounts by the end of November 2023. This timescale was recently communicated to Section 151 officers throughout Wales and Audit Wales are in discussion with finance teams to discuss the practicalities of this approach.

In terms of the performance audit programme, the timelines were to be confirmed at this stage.

Committee Member Comments:

- Councillor Cocks considered that most Local Authorities were experiencing a similar state of financial crisis. Councillor Cocks went on to credit the officers of the council for putting together a budget that permitted Council services to continue. Councillor Cocks remarked that this was perhaps not the optimal time to increase audit demands given the current circumstances. The Audit Wales Officer appreciated the comments made and confirmed that they understood the financial pressures faced by Local Authorities. The issue faced by Audit Wales was the introduction of the new ISA 315, therefore the new audit requirements were not a choice, and the timing was not ideal under the circumstances. However, the Audit Wales Officers confirmed that Audit Wales had to comply with new standards and the additional work that brought, but fully understood and empathised with the points made by the Councillor.
- The Chair thanked the Audit Wales Officer for his presentation and awaited the update in due course the outcomes of the Thematic Review regarding financial sustainability in Local Government.

Resolved:

The Governance and Audit Committee noted the Audit Wales NCC Outline Audit Plan for 2023.

8. Work Programme

The purpose of the forward work programme is to ensure organisation and focus on relevant enquiries through the Governance and Audit Committee function. This report presents the current work programme and detailed the items due to be considered at the Committee's next two meetings.

The Chair referred to 25 May meeting and whether the Director of Social Services could provide a written update for this Committee, in relation to the Passenger Transport Unit taxi contract; the Chair requested comments from the Director of Social Services and Chief Education Officer for May's Committee.

The Chief Internal Auditor advised the Chair that the Director of Social Services had provided a letter which would be shared with Committee members, but he was still awaiting comments from the Chief Education officer and would follow this up. The Chair suggested that both comments be brought to the next meeting rather than circulated individually.

D Reed mentioned that these issues could be picked up in the action table.

Resolved:

The Governance and Audit Committee endorsed the proposed schedule for future meetings, confirmed the list of people it would invite for each item and indicated whether any additional information or research was required.

Finally, the Chair and the Head of Finance wanted to thank Andrew Wathan, Chief Internal Auditor and Jan Furtek, Audit Manager for their service over the years.

The Chair thanked Andrew and Jan for their hard quality of work, congratulated them on their new roles, and wished them luck on their future endeavours.

Andrew Wathan thanked the committee.

9. Date of Next Meeting

The next meeting would take place on 25 May 2023 at 5pm.