

# Minutes



## Governance and Audit Committee

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Date: 27 July 2023

Time: 5.00 pm

Present: Chapman (Chair) Councillors Reed (Deputy Chair), G Horton, J Harris, R Mogford and J Jordan

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### 1 Apologies for Absence

Councillor Cocks.

### 2 Declarations of Interest

D Reed – Director / Trustee, Citizens Advice Southeast Wales Ltd.

### 3 Minutes of the Last Meeting

- 1.1 D Reed appreciated the numbering of the paragraphs in the Minutes, which would be the new format going forward.
- 1.2 Dr Barry referred to the Action Table and mentioned that there should be a separate column included and that every action should have a date.
- 1.3 The Chair raised an issue within the recommendations and used an example on Minute 6, 13 Purchase Cards, where the Head of Finance mentioned that he would provide an update on training of staff in relation to the purchase cards, and those that did not complete the training by the end of June would come back as an action. This did not come back to the meeting and there were several others in the recommendation table that should have been addressed at this meeting, with a follow up, therefore the timetable and dates were essential.
- 1.4 Another example was the Governance and Audit Annual Report, which was on the Work Programme, when would it be dealt with and by whom.

### 4 Call in of Director of Social Services and Head of Service re the internal Audit of Adoption Allowances resulting in a Third Consecutive Unsatisfactory Opinion

- 1.1 The Strategic Director for Social Services gave an update to the committee. The Director provided reassurance that steps been taken to move responsibility of adoption allowances from one team to another to support the completion of outstanding changes and recommendations.

#### Comments of the Committee

- 1.2 Dr Barry raised concern that this was the third unsatisfactory report and queried whether the process was a complex or simple procedure to administrate. Dr Barry

also queried why the work had not been transferred to another team earlier in proceedings.

The Strategic Director for Social Services explained that it was not a simple procedure and there are several criteria to be met and documents to be sourced, as well as liaising with individuals to ensure this was done properly. There was a complex set of calculations included in the means testing. The Strategic Director for Social Services considered that the work had previously moved as part of restructuring in Adult/Children Services and Business Support some years ago and therein lay some of the challenges, which in hindsight could have been reconsidered earlier.

- 1.3 Dr Norma Barry queried whether the deadline of December 2023 was urgent enough. The Strategic Director for Social Services reminded the committee of the previous discussions concerning realistic deadlines and affirmed that the deadline of December gave the team time to ensure that they were addressed correctly, promptly, and accurately. Given the small volume of allowance calculations required, there would not be enough information to provide a representative sample by September.
- 1.4 D Reed remained unsatisfied that it had been completely resolved and considered that this should be escalated. D Reed referred to page 26, Comments of Monitoring Officer where it stated that this matter was not appropriate to escalate to Cabinet, or Cabinet Member however D Reed disagreed and believed that Cabinet should be made aware.
- 1.5 The Strategic Director for Social Services advised that the Cabinet Member for Social Services for Children was aware and the executive board, including Cabinet, had agreed for additional support to be put in place.
- 1.6 Councillor Horton asked whether the report could be referred to audit for review in relation to the low staff numbers in Audit. The Chair advised that staffing levels in audit was another issue to be discussed under the relevant agenda item later in the meeting.

#### **Recommendation:**

The Governance and Audit Committee considered the following options:

- i) accept the explanations and assurances of the Strategic Director and the Head of Service, which will be confirmed via a follow up internal audit
- or,
- ii) do not accept the explanations and assurances provided and escalate concerns to the Chief Executive and Executive Board, which includes Cabinet.

The Governance and Audit Committee resolved that option ii) should be taken forward.

#### **5 Call in the Strategic Director and Head of Service re the Unsound opinion for Children Services Safeguarding Childrens Money**

- 1.1 The Strategic Director for Social Services provided some background relating to safeguarding of children's money to the Committee and the complexities due to the different nature in the types of monies being held for the children and the changes in the lives of children in care.
- 1.2 The Strategic Director for Social Services approached Andrew Wathan, former Principal Auditor to conduct an audit because of the complexities involved and as the

process also crossed several service areas. It was also equally important for those children no longer in care that the money should go with them.

- 1.3 The Director pointed out that another intricate factor was where the money was held, depending on whether it came from compensation, criminal injuries payments, baby bonds, monies held in trusts or other sources. Much of it was in share foundation which only had reference numbers and not names of the children which made cross-referencing difficult. The Strategic Director for Social Services felt the unsound opinion was disappointing but was grateful that there was an opportunity to ensure the system was correct. This had been discussed with the Executive Board and the Cabinet Member, and it was proposed that two additional posts be created. In addition, there was a clear action plan which would be managed by a service manager; and they would also oversee the full process, working in conjunction with business support and colleagues in other areas of the Council.
- 1.4 The Chair congratulated the Strategic Director for Social Services for raising this issue for audit and thanked her on behalf of the committee.

Comments of the Committee:

- 1.5 Cllr Mogford queried why this needed to be brought to audit for resolving if the officers already knew there were issues. The Strategic Director for Social Services confirmed that whilst steps were taken to address it was considered that an independent and objective view from audit would be beneficial. The Director confirmed that the challenge around the complexities of safeguarding children's money was not isolated to Newport, and similar audits were now being conducted in other councils following Newport City Council's audit.
- 1.6 Dr Barry asked how long this had been an issue. The Strategic Director for Social Services advised that there were several factors that raised this as a concern, including payments being processed through family courts, savings related to a judicial review and the work of the Share Foundation which triggered Social Services to look at the whole thing.
- 1.7 D Reed queried when the issue had been considered with the Cabinet Member for Social Services (Children), and the Strategic Director confirmed that it had been taken to the Executive Board and documented as part of the minutes of that meeting were taken.
- 1.8 Councillor Horton asked whether the money was being held in the best accounts that generated interest for the children/young adults. The Strategic Director for Social Services advised that it was held in The Share Foundation partly for this reason, and the Foundation handled the money on behalf the Council and other Local Authorities.
- 1.9 The Chair mentioned that it was reported in the press that there was £1.7Bn held in trust funds for children where it was not known who the funds belonged to. The Strategic Director for Social Services confirmed awareness of this and further challenges for young people with disabilities who may not be able to attend the court of protection in person to access their money.
- 1.10 D Reed thanked the Strategic Director for Social Services for the report and remarked on the staggering complexities of the topic but considered that the Committee should not accept the explanation and escalate their concerns as per the second option outlined in the recommendations.
- 1.11 The Chair thanked The Strategic Director for Social Services and expressed their confidence that this would be resolved.

### **Recommendation:**

The Governance and Audit Committee considered the following options:

- i) accept the explanations and assurances of the Strategic Director and the Head of Service, which will be confirmed via a third follow up internal audit, or
- ii) do not accept the explanations and assurances provided and escalate concerns to the Chief Executive and Executive Board, and Cabinet Member

The Governance and Audit Committee resolved to take forward the second recommendation ii) Do not accept the explanations and assurances provided and escalate concerns to the Chief Executive and Executive Board.

## **6 Update for Committee from the Head of Service on PTU Taxi Contracts resulting in a Second Unsatisfactory Opinion**

- 1.1 As agreed by the Committee in the last meeting, the Head of City Services would be coming to Committee in person in September to provide a full update on progress and shared the interim written update in the agenda papers in the meantime.

### **Recommendation:**

The Governance and Audit Committee was encouraged to see the progress noted in the briefing note provided by the Head of City Services and looked forward to receiving the full update in person in September.

## **7 Corporate Risk Register Quarter 4**

- 1.1 The Head of People, Policy and Transformation presented to the Committee an update on the Corporate Risk Register.
- 1.2 At the end of Quarter 4, 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.
- 1.3 Overall, there were eight Severe risks (risk scores 15 to 25); six Major risks (risk scores seven to 14); that were outlined in the report. In comparison to the Quarter 3 corporate risk register, two risks decreased their risk score, and there was no change with the remaining 12 risks. One risk was escalated from the children's social service area risk register, and one Environment and Public Protection risk was de-escalated from the corporate risk register to be monitored on a service area level. As set out in the Council's Risk Management Policy, the Governance and Audit Committee reviewed the Corporate Risk Register on a quarterly basis ensuring adequate procedures were in place to monitor the management of significant risks.

### Comments of the Committee:

- 1.4 Dr Barry was worried about the Eliminate Programme and asked was anything being done nationally to address this. The Performance and Programme Manager advised that this was an ongoing programme in Children services through the region and that the Strategic Director for Social Services and Head of Children Services were in constant contact with Welsh Government. The Strategic Director, Transformation and Corporate advised that the escalated risk itself was not within the remit of the committee, as this would be considered through Scrutiny, however a written response could be provided for information only to Governance and Audit Committee.

- 1.5 D Reed thanked the Performance and Programme Manager on the improvements within the report based on previous feedback given by the Committee. D Reed raised queries in relation to Pages 87, 93 and 94 concerning the risk mitigation action plan, which referred to estimated completion dates as being 31 March 2023. D Reed sought clarification on whether this had been completed or if there had been any slippage as a verbal update. The Performance and Programme Manager agreed to confirm this as part of Quarter 1 and Quarter 2 reports so that it was clearer as to which actions were completed, and which were still ongoing as part of retrospective reporting. The Strategic Director reminded the Committee that their role was about the assurances of the system in place around risk management rather than the detail of individual risks. The Director referred to a live system, My Hub, used for risk monitoring and management, and offered to arrange a brief demonstration before the next committee.
- 1.6 D Reed referred to page 93, the people's capital group and asked what the group did. The Head of People, Policy and Transformation advised that they were an internal officer group, who specifically looked at projects relating to people, such as education and social care. This would be reworded to internal officer group.
- 1.7 D Reed also referred to page 87 the risk overview '...could lead to prosecution of Head of Children's Service... what was the likelihood of that happening. The Strategic Director for Corporate considered that this was the wording of the Head of Children's Services and that it was a real possibility. The Head of People, Policy and Transformation mentioned that the detail of the risk was collated by officers and signed off by the Head of Service themselves.
- 1.8 D Reed mentioned that there was one risk that stated a shortfall of £27M in relation to the Medium-Term Financial Plan (MTFP). This appeared to be a major risk, therefore how was this being mitigated. The Head of People, Policy and Transformation advised that this was covered by p79, concerning balancing the Council's medium-term budget. Whilst this had been a risk on the corporate register for some time, his was a snapshot as at the end of last year but not the position for next year, therefore the figures would be kept under review and as such would be subject to change.
- 1.9 Chair referred to point that Councillor Horton raised, that for the next quarter there was a capacity issue regarding the Internal Audit Team. There has been a significant number of staff who have left the audit team, which would leave one remaining member of audit staff. Councillor M Howells, Chair Performance and Scrutiny Committees – Place and Corporate has written to the Chair raising this as a concern. The Chair therefore wanted to put this to be addressed as a matter of urgency and having referred to the Terms of Reference considered that the Committee should seek the assurance of the Leader of the Council through recommendation.
- 1.10 The Head of Finance agreed it was an unprecedented challenge for the service area and the Head of Finance and the team were working on this to consider alternative models of delivery of the audit plan for 2023/24 and future years.
- 1.11 Part of this year's Internal Audit plan would be delivered by way of using an external contract and in the short term the agency would be asked to increase the number of days of support. It would therefore still be a challenge and he could not give assurance that 70% of the audit plan would be delivered but the team would do everything they could. In the longer term, development of a regional audit service is being considered.
- 1.12 Dr Barry asked if exit interviews were carried out, considering the service had lost five posts over four months, and if there were any plans to engage young graduates or

retirees to cover this. The Strategic Director for Transformation and Corporate clarified that the Council had lost staff members, but the team had only been reduced by one post as part of MTFP, funding was therefore still available. The Director confirmed that exit interviews are offered to all leavers, and although individual responses are confidential, trends are monitored. The Strategic Director for Transformation and Corporate confirmed that traineeships, apprenticeships, and graduate programmes are offered. Recruiting retirees could be explored, as well as offering market supplements in certain circumstances. Given the potential to move towards a regional service, the Director confirmed that the dilemma is whether to recruit now or hold the posts until more information is available.

- 1.13 D Reed referred to the provision of external consultants, which was confirmed at a previous meeting as costing 50% more than employing staff directly and queried what the revised cost of delivering 70% of the audit plan in this way would be. The Head of Finance will provide a full update including daily costs at the next meeting in September.
- 1.14 Councillor Horton referred to the recruitment timeline being potentially up to 6-9mths before a full audit team was in place. The Head of Finance advised that the Principal Audit job advert was now live and with a longer closing date deadline due to the holidays. Additionally, the Audit Manager role was to be advertised, but overall, it could take up four months to fill both posts.
- 1.15 Councillor Horton, referred to regional service and asked if the potential pool of auditors who may apply for the currently advertised roles smaller, as some officers in the wider region may be being paid more at other Councils. The Head of Finance advised that the regional service was made up of four Councils and two more Councils, including Newport, were having informal conversations about joining. The Head of Finance agreed it would make the pool smaller, and the South Wales Regional Service Consortium was Newport's preference, as creating salary-based competition across local government was counter-productive.
- 1.16 Councillor Horton referred to the budget for 6.5 members of staff, was this posts or value. The Head of Finance advise that the budget supports 6.5 posts.
- 1.17 Councillor Horton asked if the number of posts the budget can support would be reduced as the costs of employing staff rose. The Head of Finance confirmed that the structure of the audit team would need to be reviewed, which could have an impact on grades and budget. Similarly, joining the consortium could also have similar impacts.
- 1.18 Councillor Horton asked for assurance that vacant posts would not be deleted. The Strategic Director for Transformation and Corporate clarified that the Council would need to make savings to meet an expected budget gap in 2024/25, however any further reductions of resource in the audit team again would create an issue concerning risk management.
- 1.19 The Chair wanted to declare his position in chairing two Governance and Audit Committees within two Local Authorities that are serviced by the Regional Consortium. The Chair confirmed that there were universal challenges regarding delivery of audit functions and these other LAs were carrying vacancies as well.
- 1.20 The Chair considered that the Section 151 Officer and Chief Executive had a statutory duty to report to council if they are unable to deliver a service. In addition, the Chair stated that the Internal Audit Service had a statutory basis covered by the Accounts and Audit Wales Regulation 2018.

- 1.21 The Chair's recommendation therefore was to suggest that the Head of Finance prepared a comprehensive report for September meeting in respect of what actions he intended to take to deliver the audit plan for 2023/2024 given the current staffing issues.

Secondly, that the Leader of the Council be invited to the next meeting to address this issue, with the reason being that the Leader had a responsibility for this and in accordance with the Terms of Reference, the Chair was seeking an assurance on the matters in relation to the Internal Audit Team and given the seriousness of this issue and delivering the internal audit plan.

- 1.22 The Strategic Director for Transformation and Corporate advised that whilst the Committee could take a vote on this recommendation, his advice would be that the Leader does not attend the next Committee, as this was a delegated Section 151 officer matter.
- 1.23 The Chair felt that the Cabinet had responsibilities for strategic and operational issues and if the Strategic Director for Transformation and Corporate advised the Leader not to attend, the Chair would take advice from another source. The Strategic Director for Transformation and Corporate advised that Council delegated responsibility of maintaining staffing levels to officers, not Cabinet. The Chair felt this was legally wrong and that the Strategic Director for Transformation and Corporate should take advice from the Monitoring Officer.
- 1.24 Councillor Mogford wondered what outcome would be achieved by inviting the Leader to the meeting given that the Head of Finance was the Section 151 Officer. The Chair considered that the Leader was named in the risk register as the Cabinet Member responsible.
- 1.25 The Chair also moved that the Section 151 Officer prepare a comprehensive report for September's Committee to address the audit plan and that the Leader of the Council be invited to the meeting to address the issue.
- 1.26 Councillor Mogford and Dr Barry asked that the issues be taken separately by the Committee.
- 1.27 D Reed seconded the two-part recommendation.

**Recommendation:**

That the Governance and Audit Committee consider the contents of the report and assess the risk management arrangements for the Authority, providing any additional commentary and/or recommendations to Cabinet.

That the following be put to a vote in the two parts, both of which were carried;

1. The Committee unanimously agreed that the Section 151 Officer would prepare a comprehensive report for September's Governance and Audit Committee summarising the action plan that will address the current staffing issues and deliver the audit plan for 2023/24.
2. And secondly that the Leader of the Council be invited to the Governance and Audit Committee to address the matter of staffing issues within Internal Audit, with four Committee Members voting in favour and two against.

- 1.1 The Performance and Programme Manager advised the Governance and Audit Committee that they were required under the terms of reference to receive and consider inspection reports from external regulators and inspectors and to make recommendations; where necessary, the Committee are required to monitor implementation and compliance with agreed action plans.
- 1.2 There are three external regulators: Audit Wales, Care Inspectorate Wales, and Estyn. Each body is responsible for providing assurance that the Council is fulfilling its statutory duties and providing value to the public.
- 1.3 The report covered the regulatory reports / inspections completed by each body between December 2022 and March 2023 including a summary of the Council's response (where applicable) and any additional actions which the Council was undertaking to respond to the recommendations.

Comments of the Committee:

- 1.4 D Reed referred to page 113, second para, under the Newport City Council action table. The Working Group concluded that there were not sufficient resources to undertake self-evaluations as recommended by Audit Wales and assumed that Audit Wales was aware of this. The Performance Programme Manager advised that this was not correct, and that once Audit Wales published a report it was up to the Council how to implement. The working group felt it would be better to establish a cost-of-living steering group through the Strategic Director for Social Services to consider factors such as the Marmot review and public services board, and to prioritise and determine actions going forward. The Performance Programme Manager confirmed that this was a national report, and the Council chose to make alternative arrangements. Gareth Lucy, Audit Wales added that because this is a national report, Audit Wales would maintain contact in terms of recommendations and ongoing discussions.
- 1.5 D Reed also referred to page 114, Carbon Reduction monitoring of progress, which stated that it was to be completed by March 2023. The Policy Programme Manager confirmed that this was completed.
- 1.6 Dr Barry mentioned that it was a clear and easy to follow report. There were a couple of recommendations that were in progress, but the heading stated that they were completed, such as Carbon Reduction 114, Equality Impact Assessment 116, Asset Management 117. The Performance Programme Manager noted the comments and would make this clearer.
- 1.7 Dr Barry also referred to page 116, the performance management data comparisons with other LAs and wanted assurance that the HR data was in line with other LAs. The Head of People, Policy and Transformation advised that they were working with WLGA and Data Cymru and as there was no bench marking data, in the interim the Council had to work to informally to compare data.
- 1.8 D Reed referred to page 115, in the report overview it stated that most NFI participants displayed a strong commitment to counter fraud, with 13 of the 22 LAs identifying 95% of the fraud and error outcomes, which meant nine of the authorities delivered the remaining 5%. D Reed enquired whether Newport one of the of the 13 LAs or nine. The Policy Programme Manager confirmed that Newport was one of the 13. Gareth Lucy, Wales Audit gave some context advising that it did not mean that the other nine LAs did not engage with the process but reflected the outcomes of their activity. The Head of People, Policy and Transformation advised the Chair that we had received the final counter fraud report, which would be added to the next collated update.



- 1.9 The Chair referred to Appendix 2, the Care Inspectorate Wales (CIW), and the Children's Provisions, and enquired where any recommendations that may come from those inspections would be picked up. The Policy Programme Manager confirmed that they would be captured within Social Services and reported to the Executive Board, Directorate Management Team and shared with the Cabinet Members for Social Services.
- 1.10 The Chair stated that the Committee could not be assured that the Council was fulfilling its duties in this area without seeing the recommendations of the CIW inspection. The Chair considered that any confidential information could be anonymised for this purpose. The Performance and Programme Manager took comments on board and would seek clarification from the Monitoring Officer to ensure that there was no breach in legislation if this information was divulged. The Chair understood and would not want confident information to be divulged, however the ability to identify any trends would support continuous improvement.

**Recommendations:**

The Governance and Audit Committee considered the regulatory activity completed within the report and accepted that where recommendations have been raised the Council was taking necessary action.

**9 Draft Statement of Accounts 2022/23**

- 1.1 The Senior Finance Business Partner (Chief Accountant) presented the report to the Governance and Audit Committee who was required to approve the final audited Statement of Accounts. The report provided a copy of the draft accounts, signed by the Section 151 Officer, that have been passed over to Audit Wales to undertake their own audit of the accounts. The Committee will be presented with a final set of accounts for approval when the external audit has concluded,

Comments of the Committee:

- 1.2 The Chair thanked the Senior Finance Business Partner and team for the comprehensive set of accounts.
- 1.3 Dr Barry asked why the Council was unsuccessful in securing monies through the Levelling Up Fund. The Assistant Head of Finance explained that this was a decision taken by Central Government.
- 1.4 D Reed asked the Chair if it would be appropriate for the Chair to be copied into responses from the Committee. It was agreed that the Senior Finance Business Partner (Chief Accountant) could collate responses from members of the Committee and send to the Chair.

**Recommendations:**

The Governance and Audit Committee noted the draft 2022/23 Statement of Accounts.

**10 Annual Governance Statement Draft 2022/2023**

- 1.1 The Head of Finance present the report explaining to the Committee that to meet the requirements of the Accounts and Audit (Wales) Regulations 2014, Newport City Council needed to prepare and present an Annual Governance Statement with its Annual Statement of Accounts. This Statement was based on how well the Council met its own Code of Corporate Governance. A review of Governance was also a

requirement of the Local Government Measure and the Local Government and Elections (Wales) Act 2021. The recommendations and actions from this Statement would be integrated into the Council's Annual Well-being and Self-Assessment Report.

#### Comments of the Committee:

- 1.2 Councillor Harris referred to page 274 where overall volumes of complaints had increased as well as the number of complaints being forwarded to the Public Service Ombudsman for Wales (PSOW). The Head of People, Policy and Transformation advised that there would be a more detailed report on complaints within the coming months to the Committee. The Head of People, Policy and Transformation confirmed that the Council had become better at recording and categorising complaints and the associated increase in recording of complaints was a positive rather than a negative. Whilst overall complaints received had increased, there was a very small increase in the number of complaints that were upheld. The Head of Finance added that as an assessment of the governance arrangement, the complaints procedure showed that this was an effective method of engagement with residents.
- 1.3 Dr Barry sought assurance beyond the evidence presented that there were appropriate policies and processes in place, as there was more information required to confirm that good governance arrangements were in place. Dr Barry was concerned that in some areas there were no further actions, which did not provide assurance to the committee. Dr Barry also considered that the timetable for completing actions should be shorter than those documented.
- 1.4 The Head of Finance advised that this was the first report under the new legislation and would be happy to look at other approaches if Dr Barry could give specific examples. The Governance Statement is about Newport's processes and how they had been operating. The Corporate Management Team has provided feedback on this report prior to the Committee having sight of it, and the Audit Plan in 2022/23 also provided assurances in several areas that governance arrangements were in place and operating appropriately.
- 1.5 Dr Barry confirmed that they sat on the Governance and Audit Committee for Pembrokeshire Council and would arrange to send their Governance Statement to the Head of Finance, as an example of an alternative format.
- 1.6 The Chair suggested that any questions raised could be forwarded to the Head of Finance to take into consideration for the Annual Governance Statement. The Head of Finance would need the feedback for the accounts by Friday 18 August in time to forward to the external auditors.
- 1.7 D Reed felt that other formats would be easier for residents to read and understand and would send these examples onto the Head of Finance. D Reed also considered that the report would benefit from more analysis as part of the assessment as opposed to case studies that promoted positive outcomes.

#### **Recommendations:**

The Governance and Audit Committee noted the draft 2022/23 Statement of Accounts and would provide appropriate comments by to the Head of Finance by 18 August 2023.

- 1.1 The Chair requested a brief update from the Strategic Director for Social Services be taken to the next meeting in September, and this could be done via a memorandum for the two items discussed at this meeting rather than being presented in person.
- 1.2 The Governance and Audit Committee Annual Report needed to be discussed with the Strategic Director for Transformation and Corporate before 28 September meeting.