

Governance and Audit Committee Annual Report 2022-23

1. Introduction

- 1.1. The Council's Governance and Audit Committee has responsibility for ensuring that there are procedures in place within the Council to guarantee the adequacy and effectiveness of financial control and corporate governance arrangements.
- 1.2. The Local Government (Wales) Measure 2011 ("The Measure") (as amended by the Local Government and Elections (Wales) Act 2021) requires the Council to appoint a Governance and Audit Committee. The Measure (as amended) prescribes the functions of the Governance and Audit Committee as:
 - Reviewing and scrutinising the authority's financial affairs
 - Making reports and recommendations in relation to the authority's financial affairs
 - Reviewing and assessing the risk management, internal control, performance assessment and corporate governance arrangements of the authority
 - Making reports and recommendations to the authority on the adequacy and effectiveness of those arrangements
 - review and assess the authority's ability to handle complaints effectively.
 - make reports and recommendations in relation to the authority's ability to handle complaints effectively.
 - Oversee the council's internal and external audit arrangements and
 - Review the financial statements prepared by the authority.
- 1.3. The Local Government and Elections (Wales) Act 2021 determined that a number of changes must be brought into effect:
 - former Audit Committees would be re-named Governance and Audit Committees
 - from May 2022 the Chair of the Governance and Audit Committee was required to be a lay member
 - one third of its membership must be lay members.
- 1.4. The Terms of Reference, as included within the Council's Constitution, are set in line with the Local Government Measure 2011 and the Local Government and Elections (Wales) Act 2021. The responsibilities of Governance and Audit Committee, as required by the above legislation, are included in full under Appendix 1 of the Annual Report.
- 1.5. In May 2022, the Head of Law and Standards presented an information only report setting out the legislative changes in terms of the title and Constitution of the Committee and the revised Terms of Reference. The report also set out the revised remit in terms of considering and making recommendations about the Council's self-assessment report, and its response to panel performance assessment and special inspection reports. The report confirmed the strengthening of the lay membership requirements, so that one third of members would be required to be lay members.
- 1.6. Newport City Council's Governance and Audit Committee comprises three lay members and five elected members; elected member representation reflects the proportional representation of the full Council. The lay member positions were advertised as vacancies in early 2022 and appointments were made following a process of assessment and selection.

1.7. The Committee appointed a Chair and Vice Chair at their inaugural meeting in May 2022.

1.8. The Committee met on six occasions during the municipal year 2022/23:

- 26th May 2022
- 28th July 2022
- 29th September 2022
- 27th October 2022
- 26th January 2023
- 30th March 2023

1.9. The Governance and Audit Committee is supported by Democratic Services with the Strategic Director for Transformation and Corporate, the Head of Finance, the Assistant Head of Finance, the Audit Manager and Head of People, Policy, and Transformation in attendance at most meetings. Other Officers are invited to attend as required by the agenda. External Audit (Audit Wales) are invited to all meetings.

1.10. All meetings were held on a hybrid basis in accordance with Part 4, Appendix 2 of the Constitution setting out arrangements for multi-location meetings. All meetings in 2022/23 were quorate.

2. Work Delivered in 2022/23

2.1. Regular reports were received by the Governance and Audit Committee throughout the year. All Members contributed to the challenge process where officers were held to account for improving identified systems weakness. Members contributed positively to the process and took the responsibility of being on the Governance and Audit Committee seriously.

2.2. As in previous years, the Committee's main responsibilities concerned having robust and proportionate oversight of the Council's governance, internal control and risk management arrangements including:

- Approving the internal audit plan and monitoring performance against the plan
- Reviewing internal audit reports and seek assurances of change where required.
- Considering the reports of external audit and inspection agencies
- Reviewing the draft financial statements
- Reviewing the Council's Treasury strategies and performance
- Considering the effectiveness of the Authority's risk management arrangements
- Maintaining an overview of the Council's Constitution in respect of contract procedure rules and financial regulations
- Making recommendations, as appropriate, to Cabinet and Council on any matters reported through the Governance and Audit Committee
- Ensuring compliance with legal requirements, namely the Local Government and Elections (Wales) Act 2021, in respect of overseeing the Council's performance assessment and the arrangements for handling complaints

- Scrutinising and being satisfied with the Council's Annual Governance Statement, to demonstrate how governance supports the achievement of objectives, and monitor management action in-year to further improve arrangements; and
 - Supporting the ongoing development and effectiveness of Governance and Audit Committee.
- 2.3. A standard agenda item for the Governance and Audit Committee introduced in 2022/23 is a Recommendation Table, where named officers are responsible for updating the Committee on previous matters discussed or questions raised. This ensures appropriate responses are received and accepted by the Committee on issues they felt were important enough to challenge and hold officers to account.
- 2.4. The Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance identifies 'Core Functions' of a Governance and Audit Committee along with what it refers to as possible 'wider functions' of a Governance and Audit Committee. The Committee fulfilled its role during 2022/23 by receiving a comprehensive suite of reports in line with its work programme for the year, as shown at Appendix 2.
- 2.5. The Committee were satisfied that the Council's assurance statements, including the annual governance statement (AGS), properly reflected the risk environment and any actions required to improve it, and demonstrated how governance supports the achievement of the Council's objectives.

3. Internal Audit, External Audit, and Inspection Agencies

- 3.1. During the year 2022/23, the Governance and Audit Committee received Internal Audit performance updates, details of finalised audit assignments and progress on implementation of audit recommendations. This suite of information has enabled Members of the Committee to consider the effectiveness of the Internal Audit process for 2022/23 within the assurance framework.
- 3.2. A key part of the Governance and Audit Committee's role is to support the Council's Internal Audit Service to remain independent, assess whether it has adequate resources available to it and to monitor the performance and quality of work delivered throughout the year. The Internal Audit Service fulfilled this requirement through approval of a revised Internal Audit Charter in May 2022. The revision included the Public Sector Internal Audit Standards (PSIAS) update in 2017, inclusion of an Internal Audit Mission, reference to the new Executive Board and Strategic Directors within the Council and reference to the new Governance and Audit Committee.
- 3.3. The results of Internal Audit's work for the preceding financial year were brought together in the form of the Chief Internal Auditor's Annual Report for 2021/22, which was brought to Committee in May 2022. The report presented the Committee with an overall opinion on the adequacy and effectiveness of the Council's internal controls during 2021/22, which was Reasonable - Adequately controlled. The disruption caused by the Coronavirus pandemic continued into 2021/22 with the Internal Audit team unable to undertake all their planned work due to services prioritising the delivery of frontline services and the restrictions imposed on visiting premises as a result of the pandemic. The report confirmed that the original planned audit work for 2021/22 which was not undertaken will be carried forward into the 2022/23 Audit plan. The Committee noted and endorsed the report.
- 3.4. Quarterly updates on progress against the Annual Audit Plan were presented to the Committee throughout the year, for 2021/22 and 2022/23 in the reporting period. The reports highlighted performance against planned work and externalities like

special investigations, financial advice, and financial regulations training. The Internal Audit section's performance was measured against performance indicators set and agreed by the Welsh Chief Auditors' Group. The Committee explored the progress made at each quarter and provided recommendations in wider support of the aims of the Audit section.

- 3.5. Summary reports of finalised audit opinions were reported to the Governance and Audit Committee during the year. This included the audit reports that concluded with an Unfavourable/Unsound Audit Opinion. A summary report of progress made against unfavourable audit opinions was considered by the Committee in September 2022. The Committee resolved to call-in the relevant Heads of Service and Strategic Directors to provide an update on progress made against two audits concluding in a second unfavourable opinion: Audit of Adoption Allowances and Passenger Transport Unit. The Officers attended Committee to present an update in a written report, and subsequently attended to provide a verbal update on further progress made to resolve issues identified. Members of the Committee considered the explanations and assurances provided by the Strategic Director and the Head of Service responsible and made recommendations to be implemented alongside those proposed by officers. Where considered appropriate, further updates were requested by the Committee in future meetings to continue appraisal of developments.
- 3.6. The Operational Internal Audit Plan for 2022/23 based on an assessment of risk and available audit resources was reported to and approved by the Governance and Audit Committee in July 2022.
- 3.7. Reports were received and considered from Audit Wales during the reporting period. Officers were asked to provide responses where appropriate, and Members of the Committee sought assurances on the process of External Audit. Papers presented included:
 - Audit Wales Annual Audit Summary 2021
 - Audit Wales Audit Plan 2022
 - Statement of Accounts 2020/21 ('ISA 260' Response to the Accounts)
 - Audit Wales Fee Consultation 2023/24
 - Audit Wales and Regulatory Bodies 6-month update
 - Audit Wales Newport City Council Outline Plan
- 3.8. In January 2023, the Committee considered the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control arrangements. The Committee recognised that this was a relatively new report under the Governance and Audit Committee's updated Terms of Reference to align with the Local Government and Elections (Wales) Act 2021. The report included regulatory activity updates from three external regulators: Audit Wales, Care Inspectorate Wales, and Estyn; each responsible for providing assurance that the Council was fulfilling its statutory duties and providing value to the public. This report covered October to March of 2021/22 financial year.
- 3.9. Where recommendations were raised for local authorities to consider, an overview of the Council's action(s) was included in the report. There were three local reports from Audit Wales: audit of accounts, Cremation Committee, and the improving reporting audit. There was one national review in Wales involving the participation of many local authorities, including Newport, looking at the National Fraud Initiative that

resulted in three recommendations that were shared with Committee. The report also confirmed that there a small number of reviews ongoing.

- 3.10. The Committee considered the contents of the report concerning regulatory activity completed, and the assurances provided in the meeting that where recommendations were raised, the Council was taking necessary action.
- 3.11. At the first Governance and Audit Committee meeting of the 2022/23 Municipal Year, Audit Wales provided a summary of the reported the 2021 Audit Plan for the Council, and thereafter provided quarterly Audit Wales Work Programme Updates during the year to enable the Committee to be kept up-to-date with the work of Audit Wales and provide opportunity to seek clarity or further information where required.
- 3.12. Audit Wales presented finalised reports to the Governance and Audit Committee during the year, accompanied by Council progress updates on the implementation of recommendations and proposals for improvement contained within the reports.

4. Risk Management Arrangements

- 4.1. Considering the effectiveness of the authority's risk management arrangements and the control environment falls under the remit of the Governance and Audit Committee. This includes reviewing the risk profile of the organisation and securing assurances that action is being taken on risk-related issues that may prevent the Council from achieving its Corporate Plan or delivering services to its communities and service users in Newport. The Governance and Audit Committee fulfilled its role in reviewing and monitoring the corporate governance and risk management arrangements in place, with comments and recommendations of the Committee on the risk process going on to be considered by Cabinet. The Committee explored the arrangements in place to record and monitor risks in order to establish that the processes for identifying risks were robust and operating correctly, rather than the detail of the risks themselves. Comments and recommendations made by Committee were considered by Cabinet.

5. Financial Statements, Council's Constitution in respect of contract procedure rules and financial regulations

- 5.1. The Governance and Audit Committee is required to monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption. The Committee were presented with the draft 2021/22 Statement of Accounts for the Council and Audit Wales provided a verbal update on the progress of the audit of those accounts. They informed the Committee that no significant matters had been identified to date although there were delays due to the issues around infrastructure assets valuations included in the accounts and which was an 'all Wales issue.' The Committee noted that a final, audited, set of accounts would be presented at the January meeting of the Governance and Audit Committee for approval. Following review and endorsement by Committee, the Council's 2021/22 audited Statement of Accounts were signed by the Chair of Governance & Audit and Head of Finance in January 2023, having received an unqualified opinion by Audit Wales (i.e., clean bill of health).
- 5.2. The Year End Report on Treasury Management was presented to Committee in May 2022. The report confirmed that all treasury and prudential indicators had been adhered to for the financial year 2021/22. The Committee explored the relevant

factors presented in the report with Officers before endorsing the content of the report.

- 5.3. The Committee considered the Half Yearly Report on Treasury Management in October 2022. This report informed Governance and Audit Committee of treasury activities undertaken within the financial year 2022/23 and confirmed, (other than interest rate volatility exposure), that all treasury and prudential indicators had been adhered to. The Committee provided feedback on the report which was shared in the subsequent report to Cabinet and Council.
- 5.4. In January 2023, the Committee considered the draft Capital and Treasury Management Strategy prior to it being reporting to full Council. The Capital Programme is a key enabler in delivering against the Council's Corporate Plan. The programme presented was due to end in March 2023, with a new five-year programme commencing in 2023/24. The new programme comprises of annual recurring allocations and a number of ongoing schemes carried forward from the existing programme. The Committee found the report to be comprehensive and well-written and noted and commented on a number of the complexities the report referenced. The report was approved by the Committee.
- 5.5. The Head of Finance presented a report on Lessons Learned in 2021/22, outlining the findings of an initial review carried out by finance officers following the 2021/22 accounts closedown to put into place further improvements for the closedown of the accounts process. The Committee considered the assessment on the findings of the Lessons Learned review, the plans in place to implement for 2022/23 and the key risks to the closedown process for 2022/23. The Committee noted that this review was of high importance to ensure improvements for 2022/23 were delivered. The Committee added their endorsement to the following up of Related Party form submission with group leaders and endorsed the report and planned improvements.
- 5.6. The Committee received regular updates providing details of decisions on the use of Standing Order 24 (decisions taken urgently) or the Waiving of Contract Standing Orders (CSOs) for the above period. In consideration of these reports, Members were mindful that they were not questioning the merits of the decisions taken but were focussing on why decisions were taken as urgent or why CSOs needed to be waived. Background information on the reviewing of Cabinet Member Urgent Decisions and their reason for urgent decisions was explained at the Committee as well as the Waiving of CSOs. The Committee requested clarity on matters raised, considered the reasons for the urgency/waiving of CSOs and noted the decision.

6. Annual Governance Statement

- 6.1. The draft Annual Governance Statement (AGS) for 2021/22 was reported to the Governance and Audit Committee in May 2022; the statement concluded that the Coronavirus pandemic did not lead to significant internal control or governance issues which impacted on the overall review of effectiveness and that there are effective governance arrangements in place at Newport City Council. The Committee endorsed the conclusion of the report and recommended that monitoring continued during 2022/23.

7. Arrangements for Handling Complaints

- 7.1. In May 2022, the Committee considered an overview of the Council's approach to completing its annual Corporate Self-Assessment as per the Local Government and Elections (Wales) Act 2021. The Committee endorsed the approach that the Council would integrate its Self-Assessment into the Council's Annual Corporate Report whilst

also considering the findings and assessments completed in other statutory annual reports. The Committee committed to ensuring that the self-assessment had been completed in accordance with the Act; reviewing the draft report, its conclusions, and actions; and proposing recommendations for changes to the assessment.

- 7.2. The draft Annual Corporate Well-being Self-Assessment Report 2021/22 was brought to Committee for their consideration in October 2022. The Council confirmed that it had integrated its Annual Report with its annual Well-being Report to provide an overview on the effectiveness of the Council's Governance and Performance arrangements to deliver its Corporate Plan and services. The Council's Self-Assessment requirements had also considered the findings and assessments completed in other statutory annual reports. The Governance and Audit Committee considered the Council's Corporate Annual Report 2021/22 and made a number of recommendations for improvement to the report including clarifying the link between the Corporate Plan and Well-being Objectives and the outcomes being achieved.
- 7.3. In September 2022, the Committee was asked to consider an overview of how the Council manages Compliments, Comments and Complaints and the annual report on the Council's performance in 2021/22. In accordance with the additional requirements under the Local Government and Elections (Wales) Act 2021, the Council considered the report and made recommendations for improvements, including adding further details to future reports concerning equalities data captured to better understand the demographics and representation of residents raising concerns. An action plan to improve the service delivered by the service and to address issues identified in the report was included in the presentation to Committee. A follow-up report on progress made against the actions for improvement was presented to the Committee in March 2023. Further progress will be reported to the Committee in the 22/23 Annual Report.

8. Ongoing Development of Governance and Audit Committee

- 8.1. The Committee completed training in the reporting period as follows:
 - Finance and Treasury in May 2022
 - Risk Management in September 2022

9. Conclusion

- 9.1. During 2022/23 the Council's Governance and Audit Committee has reviewed and challenged a range of topic areas, including the work of Internal and External Audit, the Committee's responsibilities as set out in the Local Government and Elections (Wales) Act 2021 and its responsibility in respect of reviewing and scrutinising the Council's Treasury Management arrangements. From a review of the coverage of Governance and Audit Committee's work and oversight during the year, as set out in Section 2, it is considered that the Committee has delivered its work plan and responsibilities in line with its Terms of Reference. The Annual Report demonstrates that the Council has sound arrangements in place in respect of its Governance and Audit Committee, noting that the level of knowledge and experience of Members was good or satisfactory.

Terms of Reference of the Governance and Audit Committee

To exercise the following functions and take the following resolved decisions, under delegated powers:

- (i) To appoint the Chair and Deputy Chair of the Governance and Audit Committee
- (j) To receive and approve the Council's Annual Statement of Accounts in accordance with the Accounts and Audit Regulations
- (k) To receive and approve the Annual Internal Audit Report from the Chief Internal Auditor
- (l) To receive and approve the Annual Internal Audit Plan
- (m) To review and approve the annual programme for internal audits, the audit priorities and effectiveness of the programme in providing adequate assurance in respect of the Council's main business risks
- (n) To review and monitor the effectiveness of the Council's system of internal control and the proper administration of its financial affairs, including corporate governance and risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements
- (o) To engage with external auditors and inspection agencies and other relevant bodies to ensure that there are effective relationships between external and internal audit.

To exercise the following functions and make recommendations, where appropriate

- (p) To monitor and oversee the implementation and outcomes of the internal audit programme and, where necessary, review and make recommendations regarding unsatisfactory audit reports
- (q) To review the adequacy of the Council's internal audit resources and to make recommendations, where necessary
- (r) To seek assurances on the adequacy of Cabinet, Cabinet Member and/or management responses to internal audit advice, findings and recommendations and monitor implementation and compliance with agreed action plans
- (s) To consider the Annual Audit and Inspection Letter, make any recommendations to Cabinet and to monitor the Council's response to individual risks or areas of concern identified in the Letter
- (t) To consider the Annual Report on Treasury Management and Prudential Indicators and make recommendations to Council
- (u) To receive and consider inspection reports from external regulators and inspectors and to make recommendations and, where necessary, monitor implementation and compliance with agreed action plans
- (v) To monitor and review decisions to waive Contracts Standing Orders and urgent executive decisions taken without consultation and to make recommendations where appropriate.
- (w) To make recommendations to the Head of Finance and Monitoring Officer in relation to the Financial Procedures and Regulations set out in the Council's Constitution
- (x) To recommend to the Council the appointment of further lay members, where appropriate

Appendix 2

Reports received by Governance and Audit Committee in 2022/23

Meeting	Report
May 2022	Audit Committee: Changes to Title and Terms of Reference
May 2022	Annual Corporate Self-Assessment
May 2022	Corporate Risk Register Q3 2021/22
May 2022	Treasury Management Year End Report 2021/22
May 2022	Audit Wales Annual Audit Summary 2021
May 2022	Audit Wales Annual Audit Plan 2022
May 2022	Internal Audit – Progress Against Audit Plan Q3 2021/22
May 2022	Internal Audit Charter Revised and Updated
May 2022	Annual Governance Statement (draft)
May 2022	Internal Audit Annual Plan 2022-23
May 2022	Internal Audit Annual Report 2021-22
July 2022	Corporate Risk Register Quarter 4
July 2022	Regulatory Reports 2021/22 Update
July 2022	Statement of Accounts 2021/22
July 2022	Internal Audit Plan 2022/23
July 2022	SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM Urgent Decisions or waiving Contract SOs (Q3 2021/22)
September 2022	Annual Reports on Compliments, Comments and Complaints Management 2022
September 2022	Corporate Risk Register Q1 2022/23
September 2022	Progress against Internal Audit Plan Q1 2022/23
September 2022	Audit Wales Fee Consultation 2023/24
September 2022	Internal Audit Plan – Progress against Unfavourable Audit Opinions
October 2022	Call In re: the Internal Audit of Adoption Allowances resulting in a Second Unsatisfactory Opinion
October 2022	Annual Corporate Well-being Self-Assessment Report 2021/22
October 2022	Treasury Management Report 2022/23

October 2022	Internal Audit – Progress against Audit Plan Q2 2022/23
January 2023	Call In re: the Internal Audit of Passenger Transport Unit resulting in a Second Unsatisfactory Opinion
January 2023	Update on Call In re: the Internal Audit of Adoption Allowances resulting in a Second Unsatisfactory Opinion
January 2023	Corporate Risk Register Q2 2022/23
January 2023	Audit Wales and Regulatory Bodies 6-month update
January 2023	Internal Audit Plan – Progress against Audit Plan Q3 2022/23
January 2023	SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM Urgent Decisions or waiving Contract SOs (Q3 2022/23)
January 2023	Draft Capital and Treasury Management Strategy
January 2023	Statement of Accounts 2021/22
January 2023	Audit of Financial Statements Report 2021/22
March 2023	Update on Compliments, Comments and Complaints Management Report 2022
March 2023	Corporate Risk Register Q3 2022/23
March 2023	Lessons Learned 2021/22
March 2023	Audit Wales NCC Outline Plan 2023