

Minutes

Governance and Audit Committee

Date: 25 January 2024

Time: 5pm

Present: Mr G Chapman (Chair), Mr D Reed and Dr N Barry

Councillors Jordan, Horton, Harris, and Mogford

R Cornwall (Strategic Director: Transformation and Corporate), M Rushworth (Head of Finance), R Green (Assistant Head of Finance), D Newens (Audit Manager), L Mahoney (Senior Finance Business Partner, Chief Accountant), S Powell (Transformation and Intelligence Manager).

In Attendance: S A Jenkins (Director – Social Services), N Poyner (Head of Children Services), R Brook (Service Manager – Childrens Teams), J McCabe (Service Manager – Operations), L Rowlands (Democratic and Electoral Services Manager), T Strange (Governance Officer), A Jenkins (Governance Team Leader), B Hopkins (Audit Wales)

1. Apologies for Absence

1.1 Councillor Cocks.

2. Declarations of Interest

2.1 None declared.

3. Minutes

3.1 The minutes of the meeting held on 23 November 2023 were accepted subject to the following:

3.2 Items 8 and 9: Dr Barry was minded to record what the Strategic Director for Social Services gave as an update, which should be for public record.

3.3 The Strategic Director for Transformation and Corporate had read out the update on behalf of the Strategic Director for Social Services and the full meeting had been recorded and is available for public access on the Council's website.

4. Internal Audit Plan – Progress (Quarter 3)

4.1 The Audit Manager outlined key points of the report that ran up to December 2023.

4.2 The challenges faced had been with staffing. There was a long-standing Principal Auditor and there were now two Auditors who had come on board in the past six to eight weeks. Recruitment was underway at the time of writing the report, looking to employ another Auditor and Senior Auditor, however this had been unsuccessful; and recruitment is on pause for the time being.

4.3 The percentage of jobs delivered was below target, as expected. They had completed 34 reviews and things were progressing well.

- 4.4 In relation to the appendices, at the time of writing the report, there were 17 completed jobs with four at reporting stage.
- 4.5 In point 10 of the report, arrangements in place with counter fraud colleagues in SWAP Internal Audit Services to carry out a fraud risk assessment, which would be delivered in the next 2-3 months.
- 4.6 There was also an overview review against the public sector internal audit standards, this would be carried out in quarter one of the 24/25 period within the timeframe for compliance.

Comments of Committee Members:

- 4.7 Mr Reed referred to the SWAP counter fraud team and asked would the results come to Governance and Audit Committee in July this year. The Audit Manager advised that this was correct.
- 4.8 Mr Reed also noted that no financial training had been completed and asked was there a risk to the organisation and what were the mitigating actions being taken. The Audit Manager advised that there was a mop-up training session in January, to make up for the period missed, with a high turnout of 40 staff rather than the usual figure of around 10 staff.
- 4.9 Mr Reed referred to page 18, Appendix B referring to the Audit Managers comments in para 4.4 and enquired if it would be possible to get a snapshot of what it was like 12 months ago to show the direction of travel. The Audit Manager agreed to provide this.
- 4.10 Dr Barry referred to Mr Reed's point regarding risk and noted that 32% of the plan had been delivered to date. Dr Barry went on to ask where the team expected to progress to by 31 March and if that presented risk to the authority. The Audit Manager advised that whilst there 17 of the 48 opinion jobs undertaken by the time of writing the report, the Audit Manager was confident this would change to 36 by year end. In terms of risk, the had mitigated against any substantial issues, such as the delivery of the finance training mop-up session and the Audit Manager was comfortable with expected coverage by end of March. Anything that the team was not able to cover would be carried over into next year's plan.
- 4.11 The Chair added that by comparison to the position at the beginning of the year, it was an improvement and the officers had done well. The Chair thanked the Audit Manager and those working for the Internal Audit team.

Recommendation:

The Governance and Audit Committee noted the report.

5. Risk Management Policy

- 5.1 This item followed on from training on risk arrangements for the committee members, ahead of the formal Committee. This was an important training session for Governance and Audit Committee and provided assurances for Audit Wales. All those committee members in attendance today also attended the aforementioned training.
- 5.2 The Transformation and Intelligence Manager introduced the item and thanked committee for attending the training session before the committee took place.
- 5.3 Newport City Council is responsible for delivering a multitude of different services and activities through its statutory and non-statutory duties. The Council faces many complex and wide-ranging opportunities, challenges, and risks that could prevent it from delivering these services effectively.

The Council's Corporate Plan 2022-27 set 4 Well-being Objectives and to deliver against these, the Council and its services need to take well-managed opportunities and risks when making decisions.

- 5.4 The draft Risk Management Policy (RMP) provided an overview of the Council's risk management arrangements and also its risk appetite statement on how the Council managed the opportunities and risks throughout the delivery of this Corporate Plan. The Risk Management Policy was developed in consultation with Cabinet, senior officer group and other risk related services such as Health and Safety, Insurance and Civil Contingencies.
- 5.5 The Performance and Programme Manager highlighted that the RMP was developed with Cabinet and the Senior Leader Team and held a workshop in October 2023 to discuss and understand the levels of risk appetite. In developing this policy, the team looked outside the organisation to see best practice, hence referring the UK Government Orange Book for Risk Management. The Performance and Programme Manager referred to page 48 which showed the five levels of risk appetite, within the statement, ranging from "adverse" to "eager", with a description of each level. The overall risk appetite statement was about setting the culture of the organisation on how we managed risk and how to manage opportunities that presented themselves, and how we delivered services and improved services for communities. Officers and Cabinet would make different levels of decisions, based upon evidence and data to look at how to accept the risk. This new approach was to set a level of understanding for the organisation and enable senior officers to make strategic, tactical, or operational decisions.
- 5.6 The final version would be presented to executive board, with the Committee's feedback, and the policy was intended to go to Cabinet in March. Following approval, a programme of engagement with service areas would take place to inform and communicate the new policy and provide training.

Comments of Committee Members:

- 5.7 Dr Barry considered the policy to be a good document and referred to the Fairness and Equality Impact Statement (FEIA) and asked if this was a new development. The Head of People, Policy and Transformation advised that Newport City Council had used this tool for some time as part of the decision-making process, although not all Local Authorities have them in place. Dr Barry noticed that there was no reference to the Modern Slavery Act and asked if there should be as part of the statement. The Performance and Programme Manager suggested that this was a good point and would look into this.
- 5.8 Dr Barry referred to two bullet points at the introduction of the plan. The first outlined the Council's commitment to risk management, and to providing a framework to continue to embed risk management. Dr Barry wondered whether this should be three points; outlining the Council's commitment, then providing a framework and then setting the Council's appetite. The Performance and Programme Manager said that this was another good point and would take this comment on board.
- 5.9 The Chair also referred to FEIA and considered that this should be completed for all policy and procedure changes. The Strategic Director for Transformation and Corporate explained that Newport City Council was the only Local Authority area in Wales that had an independent Fairness Commission. This had been in existence since 2012 with representations from Newport as the Local Authority, as well as a range of other organisations working across Newport. The Commission's website [Home | Newport Fairness Com \(newportfairnesscommission.com\)](https://www.newportfairnesscommission.com) highlights the parameters of fairness and the Council consider these parameters as part of decision-making and impacts on fairness. The Fairness aspect is not part of statutory requirements around equality, but it is something Newport has embedded in decision making.

Recommendation:

The Governance and Audit Committee considered the report and provided feedback on the draft Risk Management Policy and risk appetite statement, subject to comments by the Governance and Audit Committee.

6. Audit Wales and Regulatory Bodies Six-Month Update

6.1 The Performance and Programme Manager gave an update on the regulatory activity. 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. This report covered the regulatory reports / inspections completed by each body between April 2023 and December 2023 including a summary of the Council's response (where applicable), and any additional actions which the Council is undertaking to respond to the recommendations.

The report also included an update with any actions in progress from the previous report to Governance and Audit Committee. Four national thematic reports had been published by Audit Wales and two local reports.

Care Inspectorate Wales had delivered two national reports and one inspection of an adult residential provision. Estyn delivered six school inspections and five national thematic reviews.

Comments of Committee Members:

6.2 Dr Barry noted that, 29% of elected members had not attended the training; Dr Barry asked how this would be addressed and what was covered in the training. Mr Reed also asked what steps would be taken in relation to non-attendance, and queried whether the Committee require feedback in terms of names of those that did not attend.

6.3 Dr Barry added that the testing of business continuity plans was not included in the report, and this was a requirement.

6.4 Dr Barry referred to building control registration competency issue, did this need to be completed by 1 April with nine months to complete an action plan, this was a long time and could it be completed within a month or two.

6.5 Dr Barry referred to three national themed reports, with 11 recommendations in total, but it was not clear which of these recommendations referred to which reports, so this could be clearer.

6.6 Dr Barry thought that the National Fraud Initiative self-appraisal checklist should be brought forward.

6.7 The Head of People, Policy and Transformation responded to both Dr Barry and Mr Reed's query on cyber training. Every councillor received training before they could access the system at the beginning of their term, although Audit Wales did refer to additional cyber training provision. Since this was last reported to the Committee, training attendance had increased, and this was also supplemented with online training. This was an interactive online session, with colleagues running through all aspects of data protection, information management and security including cyber control. Attendance at the training would continue to be encouraged and promoted.

6.8 The Head of People, Policy and Transformation referred to business continuity testing, this did not meet control set by Audit Wales but was being reviewed and therefore testing would be completed at a later stage. They noted the comments of the Committee and would provide feedback to the service area.

6.9 The Strategic Director for Transformation and Corporate added that every member had completed compliance training around cyber security. This represented additional training, and the Committee may wish to make a recommendation on if it should be mandatory. There is a difference between

training that is considered mandatory under legislation and a list of training suggested as useful and important. Cyber training, however, was continually changing and training should be accessed on a regular basis.

- 6.10 Councillor Jordan pointed out training slides were provided for all councillors following a session and these were available for those that were unable to attend training sessions.
- 6.11 Councillor Mogford mentioned that in the past he had requested training slides for those courses he had attended but had not received them. The Chair noted that officers would pick this up outside of the committee.
- 6.12 Dr Barry was concerned about cyber-attack and the consequences around information security. The Strategic Director for Transformation and Corporate suggested that this could be taken as a Part 2 update to Committee Members.
- 6.13 The Chair took on board the points and understood that training took place in July 2023, but the audit report was not issued until August 2023, which was after the date of the initial training. The Chair requested that the committee's concern regarding councillor attendance at cyber training be noted as an ongoing concern.
- 6.14 The Chair also referred to testing arrangements around cyber security and business continuity. The Strategic Director for Transformation and Corporate suggested that cyber compliance was to be discussed in private. In terms of business continuity, the Strategic Director for Transformation and Corporate noted that there was an arrangement in place, which had been well-tested during the pandemic.
- 6.15 The Chair suggested a lead officer should be named as accountable for delivering these recommendations, as it was not listed in the report. The Policy and Programme Manager assured the Chair that all reports would go to the Head of Service, who are ultimately responsible for those reports, however, they would look at making the chain of accountability clearer in the report.

The Chair referred to the National Fraud Initiative (NFI) and asked if reassurance was provided by the Audit Manager regarding training. The Head of Finance advised that there would be two pieces of work, one on NFI, with a lot of those checks undertaken within service areas with a mop-up of reports from the Audit Manager during March/April. There would also be a bigger piece of work on the fraud risk assessment, which would inform the audit plan over a number of years.
- 6.16 The Chair considered that recommendations in one of the CIW reports, required a wider narrative on how they were being dealt with. The Policy and Programme Manager would feed this back to the relevant officers for future reports.
- 6.17 The Chair referred to the Estyn report, where it should say that all schools had received training on the Additional Learning Needs (ALN) system rather than nearly all schools had received training. The Policy and Programme Manager advised that Education services used Estyn's ratings in terms of how they were assessed and did not realise that it had a different interpretation for the Governance and Audit Committee. This would be made clear in future when reporting back in future.
- 6.18 Mr Reed referred to Page 66 regarding National Fraud Initiative where it stated that 13 out of 22 Welsh Local Authorities identified 95% of fraud. It did not make it clear in the report that Newport was not one of them, therefore under NCC Action should there be a comment that Newport was one of the LA's that contributed to identifying the 95%. The Policy and Programme Manager advised that it was addressed when it was last looked at but not included in the information.
- 6.19 Mr Reed referred to page 68, there was no recommendations and Mr Reed wanted to congratulate officers for this.

Recommendation:

The Governance and Audit Committee considered the contents of the report and the regulatory activity completed, and noted that where recommendations were raised, the Council took necessary action as a response.

That the comments of the Governance and Audit Committee be noted.

7. Capital Treasury Management Strategy 2024/25

- 7.1 The Assistant Head of Finance presented the key points in the report to the Committee. The current programme ran from 2023/24 to 2027/28. In line with the rolling programme management approach, the next iteration of the five-year programme ran from 2024/25 to 2028/29. The next iteration of the programme predominantly comprised of annual recurring allocations and a number of ongoing schemes from the existing programme.
- 7.2 The report included both the Capital and Treasury Management Strategies which, at their core, (i) confirmed the Capital Programme, as part of the Capital Strategy and (ii) the borrowing limits and other indicators which governed the management of the Council's borrowing and investing activities, as part of the Treasury Management Strategy.
- 7.3 The Assistant Head of Finance referred to questions included in the report which were points for consideration by the Committee as set out in paragraph 8.
- 7.5 Governance arrangements had also been strengthened around the capital programme, introducing from this year a capital assurance group of senior officers monitoring the capital programme and ongoing projects.
- 7.6 A new accounting standard will be adopted from 1 April 2024 which requires Local Authorities to treat lease arrangements as capital expenditure rather than revenue, which will allow for capital value of lease payments not yet made.
- 7.7 The Capital Strategy also sets out the long-term context (10 years) in which capital decisions are made. It demonstrates that the Council's approach to taking capital and investment decisions is in line with service objectives, whilst considering risk, reward, and impact. It also demonstrates that these decisions are taken whilst having proper regard to stewardship of public funds, value for money, prudence, sustainability, and affordability.
- 7.7 The liability benchmark graph included in the report gave a long-term impression on where long-term internal borrowing was heading and demonstrated that there was an increased borrowing need and over the next 12-18 months, there was a significant refinancing need.
- 7.8 There was a Head of Finance Summary review also within the report.

Comments of Committee Members:

- 7.9 The Chair noted that the Capital Strategy met the requirement of assuring the committee.
- 7.10 The Chair referred to loans coming up for renewal, and asked if there was a likelihood that this would be on a short-term basis or if there was a better rate for long-term borrowing. The Assistant Head of Finance advised that short-term borrowing would only be considered for short-term need, and they look to replace on a long-term basis and consult with advisers on where interest rates might be heading.
- 7.11 Mr Reed considered that this was a good report, and it gave him confidence as a Newport resident that it was being well-run and well-thought-through.

Recommendation:

Governance and Audit Committee was asked:

- To provide comment on the Capital Strategy (Appendix 2), including the draft Capital Programme (shown separately in Appendix 1), and the borrowing requirements/limits needed to deliver the new programme.
- To provide comment on the Treasury Management Strategy and Treasury Management Indicators, the Investment Strategy, and the Minimum Revenue Provision (MRP) policy for 2024/25. (Appendix 3)

As part of the above the Committee

- Noted the increasing debt, and corresponding revenue cost of this, in delivering the Capital Programme, and the implications of this over both the short and medium to long term with regard to affordability, prudence and sustainability.
- Noted the Head of Finance recommendation to Cabinet and Council that borrowing needs to be limited to the extent that it meets the objective of stabilising, and ideally reducing, the Council's Capital Financing Requirement, and the recommended prudential indicators on borrowing limits to achieve this.

8. Update from the Strategic Director: Social Services on the Unsound Opinion for Children Services – Safeguarding Children's Money

- 8.1 The Service Manager – Operations referred to the action plan attached and advised the committee that all but one of the actions had been completed. The main point to share with the committee was that one of the actions identified was identified under a medium risk, which was the development of a Corporate Parenting strategy, and this was in the process of being finalised. Unfortunately, there was a delay due to personal circumstances but there was now a group representative that had taken over and was in the process of consulting with Children and young people to finalise this work.

Comments of the Committee:

- 8.3 Mr Reed requested that could paragraphs be numbered rather than bullet-pointed, as it was easier to follow.
- 8.7 The Chair asked if a follow-up inspection would be carried out. The Audit Manager advised that both items under Social Services would be added to the plan for revisiting and presented back to the Committee. The Chair suggested that the Strategic Director and Audit Manager meet to discuss a suitable timescale and therefore considered this be reflected in the recommendations.

Recommendation:

- The Governance and Audit Committee considered the contents of the report of the regulatory activity completed and that the Council was taking necessary action where recommendations were raised.
- That Internal Audit would prepare an update report for the Committee, date to be confirmed.

9. Update from the Strategic Director: Social Services regarding the Internal Audit of Adoption Allowances Resulting in a Third consecutive Unsatisfactory Opinion

- 9.1 Service Manager – Childrens Teams advised the committee that a new process had been implemented, with process maps in place to support this. There was an All-Wales Adoption Policy, and the adoption allowances were considered under the Childrens Finances Policy. New resources

are in place with staff undertaking a review of the adoption allowances. This is undertaken annually, in June so it would be timely that Internal Audit undertake a further re-assessment after this has been concluded.

9.4 The Chair agreed that a full report be brought to committee by September 2024.

Comments of Committee Members:

- 9.6 Dr Barry suggested that additional information be included under 'completed' to provide the level of assurance the Committee were seeking.
- 9.7 Dr Barry also referred to point 206 the progress did not appear directly next to the identified weaknesses.
- 9.8 Dr Barry considered that these issues arose due to lack of processes and management of the processes, and sought assurance that management was providing guidance and overseeing work being undertaken.
- 9.9 The Chair said that the Audit Manager picked this up and ensured that these processes were in place and that people were taking accountability and responsibility for the services that they were providing.

Recommendation:

- The Governance and Audit Committee considered the contents of this report on the regulatory activity completed and that the Council was taking necessary action where recommendations were identified.
- A report would be brought back to meeting in September or as agreed by the Strategic Director and the Audit Manager.

10. Forward Work Programme

- 1.1. The purpose of the forward work programme is to help ensure Members achieved organisation and focus on the undertaking of enquiries through the Governance and Audit Committee function. The report presented the current work programme to the Committee for information and detailed the items due to be considered at the Committee's next two meetings.
- 1.2. It was requested that the cyber review be added as a Part 2 discussion at a subsequent meeting.
- 1.3. The Complaints Lead for the Public Services Ombudsman for Wales requested to talk to the Committee. This meeting would take place before the next meeting on 28 March, at 4pm.

Recommendation:

That the Governance and Audit Committee noted the Work Programme subject to the above.

11. Date of Next Meeting

- 1.1. The next meeting will take place on 28 March 2024.