

Minutes



Audit Committee

Date: 28 March 2018

Time: 5.00 pm

Present: Mr J Baker (Chair), Councillors D Davies, J Guy, J Jordan, L Lacey, H Thomas, K Thomas, H Townsend and R White

In Attendance: Jan Furtek (Interim Audit Manager), Robert Squance (Audit Manager), Andrew Wathan (Chief Internal Auditor), Rhys Cornwall (Head of People and Business Change), Owen James (Assistant Head of Finance - Technical and Development), Rachel Kalahar (Senior Performance Management Officer), Shaun Powell (Newport Intelligence Hub Manager) and Michele Chesterman (Democratic Services Officer)

Apologies: Councillor D Fouweather

1. Minutes of the Meeting held on 23 January 2018

Councillor Jordan advised he was not present at the previous meeting but was shown as in attendance in the minutes.

Agreed

To confirm the Minutes of the meeting held on 23 January 2018, subject to the above correction.

2. Draft Corporate Risk Management Strategy

The Head of People and Business Change presented an updated version of the Corporate Risk Strategy which outlined the council's approach to risk and the processes needed to ensure a robust risk register which mitigated and managed risks to an acceptable level. The risk strategy was originally developed in 2014 so it was timely that it be reviewed to support the current corporate plan which was agreed by full Council in November 2018.

The Risk Management Strategy was updated to reflect a revised approach to risk management and improved processes for identifying and escalating risk. Potential benefits of an improved risk management approach were improved decision making, avoidance of shocks and the ability to mitigate threats and take advantage of opportunities. The Risk Management Strategy was under review to ensure that the sustainable development principle of the Wellbeing of Future Generations (Wales) Act 2015 were embedded in the process and framed each risk.

Since the introduction of the Local Government Measure 2011 the local authority's Audit Committee had a role in reviewing and assessing the risk management, internal control and corporate governance arrangements of the authority. Processes and

strategies about risk management should be reviewed by the Committee however the content of the risk register including setting and changing risks included in the register was not the role of the Audit Committee.

Member raised a number of issues:

- The future is unforeseen so how can future risk be managed? – In terms of 5-10 years in the future there is capability but 35 years into the future would be more problematic. Therefore the need to balance risk is important.
- Is there a formal process for good practice and lessons learned? – Part of the outcomes being considered are in relation to communications mechanisms.
- In terms of support for an effective risk culture is it low, medium? – The Council has an appetite for risk in terms of the Executive and set in policy. The risk is low/medium dependant on which area of policy is being considered. It is low when there is a detrimental impact.
- A fundamental risk is the fact that people need to know the Risk Management Strategy is in place and have an understanding of how to use it. It is important to ensure the workforce know they have to assess risk. How does the Council ensure this across the whole workforce? – This is a service planning and communication challenge – To manage risk and a range of other factors as well.
- Is there a universal framework for risks? When examining risks is the Council seeking out best practice in other councils and working collaboratively on a wider basis? Yes, there is the Management Information Hub which all employees can access. There is a Risk Register which is continually updated and the Service Plans include a section on risk management. This allows the Council to physically join everything up. Certain risks do not just apply to the Council but other organisations and it is about matching risks against other organisations. There is also the Good Practice Exchange - The Wales Audit Office which contains good practice case studies from other local authorities.
- With more and more risks is it more difficult for the Council to obtain insurance? – The Head of People and Business Change was not aware of any examples but could find out. Insurance costs have gone up for all concerned.
- Were there examples of where the Council had avoided danger? – There had been two reasonably significant events this year – the red weather warning and the ransomware attack. Weather was on the rota for civil contingencies. A lessons learned activity had been undertaken which fed into the operational plan. There had been a regional as well as an organisational response. Newport handled the emergency very well and Newport staff had been on call 24/7.
- The sustainable development principles of the Wellbeing of Future Generations (Wales) Act 2015 were embedded in the process and framed each risk but where did the Council think it would be able to make differences as a result of the strategy and what had been put in place that had not been there before? – This is not a new development. Challenging risk is the goal. There is a need to raise this in the organisation's conscience. Risk needs to be taken into account when making decisions and considerations of other opportunities that arise

Agreed:

To note the Draft Corporate Risk Management Strategy.

3. Draft Internal Audit Plan 2018/19

The Chief Internal Auditor introduced his Draft Internal Audit Plan which set out the work to be undertaken by the Internal Audit Section at an operational level for 2018/19. It identified why the Council operated an Internal Audit function, the resources currently available and how they would be applied across Newport City Council's services to give management assurance that systems were working as intended. It outlined where Internal Audit resources would be focussed over the next year, covering systems and establishments in all service areas of the Council. 1214 productive audit days had been planned for 2018/19 (1150 days 2017/18) in the draft plan by 8 staff, balancing adequacy of controls with limited resources.

A training programme had been launched for Headteachers, Deputy Headteachers and Support Officers on awareness of good governance and policies and procedures. The aim was to pick up those who had never received any training. The training had been warmly welcomed and there had been good feedback.

Discussions included the following:

- Does Internal Audit use sample based analytics? Using this system had resulted in some audits being reduced in length from 6 months to 2 days – Internal Audit used full data sets, software, whole databases. An offer was made by the member to discuss with Internal Audit.
- The level of advice and support offered to two primary schools this year was second to none. Where did the Team rank itself on a level of risk of not achieving next year? - The level of risk was ranked as medium. The team would achieve its target of 80% of the audit plan this year. The involvement in special investigations this year was less which allowed Internal Audit more time to focus on the Audit Plan
- Where would someone go to discuss Newport Norse accounting issues? - Newport Norse is a separate company. Newport Norse and Newport Live have their own auditors. Newport Norse has a managed service contract with a specification for service delivery and as such an officer in the Council tasked with making sure it is delivered. The Client Manager would be the point of contact for Newport Norse in relation to ordering, payment of invoices etc. Finance had informed Newport Norse that no invoices would be paid unless there was a purchase order approved by the budget holder.
- An issue had arisen where double invoices had been sent by Newport Norse to schools which should have gone to other schools – The Assistant Finance Officer would raise the issue with the appropriate client officers.
- How is it decided when and what would be audited? - This is part of the risk management process. The Council has worked with auditors in the past to set all the financial systems. Reviews dates are based on past performance. Timing is taken into consideration in the audit planning process. Decisions in the past are taken into consideration. In terms of timing, audits are planned on a quarter by quarter basis. For example Council Tax used to be audited every year but was receiving good/very good results and as a result it is now reviewed every 2 years. However whilst it comes up for review every 2 years at the moment this would be subject to change if there were any changes such as a new manager, new processes, or poor performance. In which case the timescale would be revised back to a yearly review.

- You seem to accept you are short staffed as a team and always operating on shortfall of staff. Is there an issue where the team cannot recruit staff? – The only option is to run with that risk. A few years ago there were 13 members of staff then with budget cuts this was reduced and now the team is running with 8 officers.
- There are a number of services previously owned by Newport City Council. What are the implications if things go wrong. The Risk Management Strategy points out that we have to think more clearly about what risks mean. Theoretically it should be possible to move patronage. Could we use Future Generations to think more broadly about things? – We allocate time in the plan for special investigations for things that are not going so well or where there are allegations of fraud or theft which we investigate ourselves.
- Has everything in Appendix 2 being risk assessed or could there be risks not identified as they are being addressed in future years? – Everything is risk assessed but only noted the risk in operational plan. The work identified is only that for 2018/19.
- It would have been useful to see what was audited last year – This will be taken on board. In terms of what was audited this year will be reported back in the May/June report.

Agreed

1. To note and endorse the Draft Internal Audit Plan 2018-19
2. Assistant Head of Finance to raise issue of double invoices with Newport Norse Client Officer.

4. Wales Audit Office Audit Plan 2018

Gareth Lucey, Wales Audit Office, presented an overview of the Wales Audit Office 2018 Audit Plan which set out the proposed work, when it would be undertaken; how much it would cost and who would undertake the work.

Members' attention was drawn to the following points:

- The Audit Report was shorter than in previous years. The 2015/16 Audit had identified quite a few things to be followed up in 2016/17. This year the Audit report was cleaner.
- A few key financial audit risks had been listed – Friars Walk, ongoing financial entries, financial consolidated statements.
- Paragraph 17 – responsible for examination of Greater Gwent Cremation financial audit
- Performance Audit follows after in the report – summary of works and studies
- Paragraph 20 – potential changes to Local Government Wales Bill – Local Government Measure – main driver for work in performance audit.
- Paragraph 22 – Wellbeing Future Generations – first year of full reviews – specifics still to be worked through council officers.
- Certification of grant claims and returns – only change this year Welsh Government streamline certain assurance arrangements over grants and liaising over what means. Summary schedule instead of detailed grants. Fee table – grant certification reduced to take account of that
- Audit team 13 in number – Gareth Jones, new performance audit lead taking over from Sara Jane Byrne.

Members raised the following:

- If the measure was going there would be less work for performance audit so why was the fee the same? - The measure hadn't quite gone yet but ultimately there were other responsibilities under the Wellbeing and Future Generations legislation. There were responsibilities for audit bodies recording setting wellbeing objectives going forwards. Also there were still responsibilities under the 2004 legislation to secure economies, efficiencies and effectiveness. It was still necessary to look at work under the measure to discharge duties to auditor general in that respect.
- With the implementation of Violence against Women what evidence is accessed from other organisations? – Work has been undertaken across the 22 local authorities. There is a national framework of report from across all the 22 local authorities. If specific issues will feedback.

Agreed

To note the Wales Audit Office 2018 Audit Plan

5. Member Development Self Evaluation Exercise

The Chief Internal Auditor circulated the findings of the Audit Committee Self-Assessment – March 2018 – Measuring the Effectiveness of the Audit Committee. Good practice how members think audit committee is being run. There were 46 questions and 4 members had responded. There had been an attempt to try to capture the thoughts of members who did reply:-

- Question No 3 – Is the Terms of Reference reviewed periodically to ensure it remains fit for purpose? – Members were given the option to bring the Terms of Reference back to the Audit Committee if required.
- Question 7 - Monitoring and Oversight – Does the Committee consider that it receives adequate and timely information in relation to: Corporate Governance, Risk Management, Internal Control, Treasury Management, Financial Affairs and Statements? – This could perhaps be accommodated in the Work Programme.
- Question 21 – Is the level of detail provided in Audit progress summaries adequate to meet Member' needs? – The Chief Internal Auditor offered Member's the opportunity to contact him if they required any further information.

Action

To note the findings from the Member Development Self-Evaluation Exercise

6. WAO Certification of Grants and Returns 2016-17- Newport City Council

Members considered a WAO report on the Certification of Grants and Returns 2016-17. The Auditor General had completed the audit work and concluded that the Council had generally good arrangements in place for the production and submission of its 2016-17 grant claims. The Authority submitted all grant claims on time. This was an improvement from 2015-16, where one claim was submitted late. The final cost of auditing all claims was £74,000 (2015-16: £71,000). Four of the claims were

qualified in 2016-17, compared to two in 2015-16. Three of the four qualifications related to delays in the signature of underlying contracts or agreements. Members noted that the report indicated a good step forwards and that there were clear and strong working relationships.

Agreed

To note the report.

7. Proposed Work Programme 2018/19

Members' attention was drawn to the proposed work programme for the Audit Committee for 2018-19. Council and WAO Officers were asked to advise of any subsequent amendments to the schedule.

Agreed

To note the Work Programme

8. Date of Next Meeting – 24 May 2018

Agreed

To confirm the date of the next meeting as 24 May 2018