

# Minutes



## Governance and Audit Committee

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Date: 28 March 2024

Time: 5pm

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

Councillors Jordan, Horton, Cocks and Mogford

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

In Attendance:

L Rowlands (Democratic and Electoral Services Manager), T Strange (Governance Officer), A Jenkins (Governance Team Leader)

### 1. Apologies for Absence

1.1 Councillor Harris

### 2. Declarations of Interest

2.1 None received.

### 3. Minutes

3.1 The minutes of the meeting held on 25 January 2024 were accepted subject to the following:

3.2 Item 4: Internal Audit Plan Progress (Q3): Paragraph 4.10– for the public record, Mr Reed noted that the wording should read ‘...they mitigated against...’ and not ‘...the mitigated against...’

3.3 Item 6 Audit Wales and Regulatory Bodies – Six Month Update: Mr Reed noted that the numbering was out of sync, 6.15, should be 6.16, then 6.17.

3.4 Item 3 Minutes of the Previous Meeting of 23 November: Paragraph 3.2, Dr Barry asked if the information provided on behalf of the Strategic Director for Social Services be recorded in writing for the purposes of the Minutes for public accountability. Dr Barry also asked how long the video recordings remained on the website as it was felt that discussions should be recorded which was acknowledged by officers at the time. The Chair agreed that if the recordings were kept for seven years, the Minutes would be a permanent record. It was noted for future meetings that these discussions be recorded in the minutes.

### 4. Corporate Risk Register (Quarter 3)

4.1 The Transformation and Intelligence Manager presented to the Governance and Audit Committee the report. The Council’s Corporate Risk Register monitored those risks that may prevent the Council

from achieving its strategic priorities or delivering services to its communities and service users in Newport.

- 4.2 At the end of Quarter 3, there were 15 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.
- 4.3 Overall, there were 8 Severe risks (risk scores 15 to 25); 7 Major risks (risk scores 7 to 14); that were outlined in the report. In comparison to the Quarter 2 Corporate Risk Register, one risk score decreased (Failure to achieve completion of the Internal Audit Plan). The scores for all remaining risks remained the same.
- 4.4 The Programme and Performance Manager referenced the Risk Management Policy, which was presented at the last Committee meeting. The comments from Committee were taken on board and reflected in the final Policy. The Programme and Performance Manager therefore thanked the Committee for their contribution.
- 4.5 There were 8 severe risks and seven major risks. The internal audit plan risk score had reduced from 16 to 9, with the summary and explanation included in the report. All other risks remained the same for Quarter 3. Moving to Quarter 4, officers were looking at service planning for 2024/25 for all service areas. Any changes would therefore be reported in Quarter 1.

#### Comments of Committee Members:

- 4.6 Mr Reed referred to page 23, the Risk Heat Map, there were two R8s. The Programme and Policy Manager advised that the R8 in grid 5-3 was incorrect and would be adjusted.
- 4.7 Dr Barry queried the timescale to prepare the Homelessness Prevention and Support Strategy. The Strategic Director for Transformation and Corporate advised that this query could be considered through the Performance Scrutiny Committee – Place and Corporate where it could be raised with the Head of Service.
- 4.8 Dr Barry also commented on the severe risks for the highways network and the property estates. There was a worry that a lack of investment would lead to greater cumulative expenditure in the future. The Strategic Director for Transformation and Corporate advised that Newport City Council was facing the same challenges as many other local authorities within the UK, with a significant infrastructure burden including the highways network and other assets. There was a rationalisation programme in place to mitigate this in part.
- 4.9 Councillor Jordan queried the amount of compensation the Council was dealing with regarding potholes. The Strategic Director for Transformation and Corporate advised that whilst insurance payouts were not large the Council was legally covered through the Highways and Assets Management Plan (HAMP).
- 4.10 Councillor Cocks referred to the direction of travel of risk in relation to highways, which stated in the report that the risk was constant. With no investment and ongoing deterioration, Councillor Cocks considered that this situation would get worse rather than stay at a constant level of risk. The Strategic Director for Transformation and Corporate advised that the Risk was measured against the HAMP and the Committee's concerns could be passed to Performance Scrutiny Committee, Place and Corporate, to consider the service area's ratification of the risk this presented.
- 4.11 Councillor Cocks also referred to the risk mitigation action plan regarding highways on page 48 where it was mentioned that no further action could be taken to manage the risk, which he felt was not appropriate. The Programme and Performance Manager advised that there were existing arrangements in place to manage the risk within the HAMP, outlined at the beginning of the document. In addition, the HAMP was being updated and would be presented to Performance Scrutiny Committee – Place and Corporate for scrutinization. This particular risk would be looked into

as part of the service plan review, to see what additional actions could be taken to align with the new HAMP and address any mitigating actions going forward. Therefore, there may be changes reflected in the Quarter 1 report.

- 4.12 Mr Reed referred to page 59, and the direction of travel regarding schools, where 12-13 schools would be unable to set a balanced budget even with mitigation plans in place. The Programme and Performance Manager advised that this was looking back to Quarter 3 before the budget was set, with the information available at that time. The Head of Finance advised that whilst the score would remain elevated, however, these issues were dealt with successfully every year. Where appropriate, the finance team worked with schools to look at financial recovery plans.
- 4.13 Councillor Cocks referred to School budgets on pages 59-60 and noted that there were other associated risks identified with school budgets such as reduced spending on Additional Learning Needs (ALN) which Councillor Cocks felt were being underrated.
- 4.14 The Programme and Performance Manager acknowledged that the requirement for ALN and out of county placements were both corporate risks. The governance arrangements within the service area to manage these pressures and the monitoring by Internal Audit provided assurance around these activities. In addition, these risks were linked to the asset management risk and the Medium-Term Financial Plan (MTFP). Finally, there were also service area risks that were not monitored on the corporate register but instead sat in Education, including risk projections around pupils and education which were regularly reviewed. The Strategic Director for Transformation and Corporate added that whilst Newport schools had challenges, they were no schools in special measures and the Estyn findings indicated that Newport schools delivered a good provision.
- 4.15 The Chair added that this was a risk set as of 31 December 2023, before the budget round and settlement for schools. Schools were however autonomous and dealt with funding themselves. The Director, covering Education had powers to intervene and could serve a warning notice on a school if there were concerns. The Chair felt that the risks should be scored at 25.
- 4.16 The Chair referred to the highways annual investment of £500K, which a small amount in context, and echoed comments about the state of state of infrastructure and lack of funding.

**Recommendation:**

- The Governance and Audit Committee considered the report and assessed the risk management arrangements for the Authority.
- The Governance and Audit Committee requested assurance on the Highways Asset Management Plan and Asset rationalisation be reported back to the Committee following the Performance Scrutiny Committee – Place and Corporate meeting.
- The Governance and Audit Committee proposed that Scrutiny consider whether the target dates for Housing and Homelessness strategy and plans are appropriate as part of their performance review process.
- The Committee also requested that Scrutiny consider whether the risk rating and mitigation was appropriate to the perceived issues around roads and infrastructure management.
- The Committee also wanted Scrutiny to consider if the risk management embedded in the HAMP is sufficient to manage the associated infrastructure risks.

**5. Lessons Learned 2022/23 Accounts Closedown and Financial Statements Preparation**

- 5.1 The Senior Finance Business Partner (Chief Accountant) presented the report. Following the closedown of the 2022/23 accounts, a lessons learned review was undertaken to put into place further improvements for the closedown of the accounts process. The lessons learned review was taken as a matter of course, and with the issues that arose from the audit of the 2022/23 accounts, this review was of high importance to ensure improvements were delivered for 2023/24.

5.2 The Chief Accountant advised the Governance and Audit committee on the key highlights within the report, including the process for improvement, fixed assets, annual governance statement and grant testing.

Comments of Committee Members:

5.3 The Chair thanked the Chief Accountant for the report as well as the team involved and had taken on board what was raised.

5.4 Dr Barry referred to the ongoing monitoring and asked how the Committee could be assured that everything was being followed up on. The Chief Accountant had a list of any issues raised by the Council and Audit Wales, which would be part of the review and added to the timetable to be taken back to the Committee.

5.5 The Chair added that it was hoped that by the time of the closing accounts in June, there would be fewer issues raised.

**Recommendation:**

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

**6. Internal Audit Annual Plan 2024/25**

6.1 The Interim Chief Internal Audit presented the report to the Committee. Internal auditing was an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helped an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

6.2 It objectively examined, evaluated, and reported on the adequacy of internal control as a contribution to the proper, economic, effective, and efficient use of the Council's resources.

6.3 The attached report was the Internal Audit Plan for 2024/25, which was based on an assessment of risk and available audit resources for the 12 months of the financial year. The plan was based on the available resource of 971 audit days.

6.4 The Council's Section 151 Officer has the legal responsibility for the provision of Internal Audit.

6.5 Key highlights were presented to the Governance and Audit Committee as outlined in the report and appendix 1.

Comments of Committee Members:

6.6 The Chair thanked the Interim Chief Internal Auditor for his presentation and asked if the high risks identified could be addressed before the medium risks. The Chair also thanked the Head of Finance for appointing staff within the Audit team.

**Recommendation:**

The Governance and Audit Committee approved the Internal Audit Plan 2024/25.

**7. Member Development Self- Evaluation**

7.1 The Strategic Director for Transformation and Corporate presented the report which established a training programme and ongoing support for Governance and Audit Committee members. This was essential to ensure that they could confidently and effectively discharge their responsibilities. Exact needs depended on the composition of the Committee and members' existing knowledge and experience.

- 7.2 A self-assessment questionnaire, based on the Chartered Institute of Public Finance and Accountancy (CIPFA) publication 'Audit Committees – Practical Guidance for Local Authorities and Police', was attached to the report.
- 7.3 It was proposed that members of this Committee completed and returned the questionnaire in order to assess the existing skills, knowledge, and areas of expertise of members and identify any gaps or training requirements. The results would assist in developing a learning and development plan for the Committee.

#### Comments of Committee Members:

- 7.7 The Chair considered that the questions were fairly robust and training sessions that took place before Committee commenced were useful.
- 7.8 The timescale suggested by the Chair to complete the questionnaire was 30 April, this gave four weeks for completion to report back to committee on 30 May.
- 7.9 The Strategic Director for Transformation and Corporate would discuss mechanisms with the Chair and the Democratic and Election Services Manager outside of the Committee.
- 7.10 Mr Reed added that he did not want the questionnaire to be anonymous.

#### **Recommendation:**

The Governance and Audit Committee:

- i. Considered and noted the contents of this report.
- ii. Agreed the wording of the draft self-assessment questionnaire which was appended to the report.
- iii. Agreed a timescale for completion of the questionnaire by members of this Committee; and
- iv. Resolved to consider the questionnaire responses by 30 April to be presented at the 30 May Committee meeting.

#### **8. Forward Work Programme**

- 8.1 The purpose of the forward work programme was 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.

#### **Recommendation:**

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

#### **9. Date of Next Meeting**

- 9.1 The next meeting will take place on 30 May 2024 at 5pm.