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## AGENDA

<b>Committee</b>	AUDIT COMMITTEE
<b>Date and Time of Meeting</b>	TUESDAY, 14 MARCH 2017, 1.30 PM
<b>Venue</b>	COMMITTEE ROOM 1 - COUNTY HALL
<b>Membership</b>	Councillor Hugh Thomas (Deputy Chair), Gavin McArthur, David Price  Councillors Howells, Kelloway, McGarry, Mitchell, Murphy, Weaver and Walker

*Time  
approx.*

### 1 **Apologies for Absence**

To receive apologies for absence.

### 2 **Declarations of Interest**

To be made at the start of the agenda item in question, in accordance with the Members' Code of Conduct.

### 3 **Minutes** (*Pages 1 - 8*)

To approve as a correct record the minutes of the meeting held on 27 January 2017.

### 4 **Finance** (*Pages 9 - 58*)

4.1	Finance Update (including resilience issues)	1.35pm
4.2	Accounting Policies Update	1.50pm

### 5 **Governance and Risk Management** (*Pages 59 - 130*)

5.1	Audit Committee Draft Annual Report 2016-17	2.00pm
5.2	Draft Annual Governance Statement	2.10pm
5.3	Risk Management Interim Update	2.20pm

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|-----------|---|---------|
| <b>6</b>  | <b>Wales Audit Office</b> ( <i>Pages 131 - 138</i> )  |         |
|           | 6.1 WAO Activity Update   | 2.30pm  |
|           | 6.2 Fee Benchmarking Data Update  | 2.40pm  |
| <b>7</b>  | <b>WAO Tracker and Other Studies</b>  |         |
| <b>8</b>  | <b>Treasury Management</b> ( <i>Pages 139 - 208</i> )   |         |
|           | 8.1 Performance Report  | 2.50pm  |
|           | 8.2 Treasury Management Practices   | 3.00pm  |
| <b>9</b>  | <b>Internal Audit</b> ( <i>Pages 209 - 250</i> )  |         |
|           | 9.1 Progress Update   | 3.10pm  |
|           | 9.2 Internal Audit Plan 2017-18   | 3.20pm  |
|           | 9.3 Audit Committee Terms of Reference  | 3.30pm  |
|           | 9.4 Internal Audit Charter 2017-18  | 3.35pm  |
| <b>10</b> | <b>Scrutiny Correspondence</b> ( <i>Pages 251 - 252</i> )   | 3.40 pm |
| <b>11</b> | <b>Outstanding Actions</b>  | 3.45 pm |
|           | 11.1 Staff Terms and Conditions Comparisons – previously circulated                                 |         |
| <b>12</b> | <b>Work Programme Update</b> ( <i>Pages 253 - 256</i> )   |         |
| <b>13</b> | <b>Urgent Business</b>  |         |
| <b>14</b> | <b>Date of next meeting</b>   |         |
|           | The next meeting will be held on 20 June 2017 (subject to agreement at Annual Council in May 2017). |         |

**Davina Fiore**

**Director Governance & Legal Services**

Date: Wednesday, 8 March 2017

Contact: Graham Porter, 029 2087 3401, g.porter@cardiff.gov.uk

***This document is available in Welsh / Mae'r ddogfen hon ar gael yn Gymraeg***

AUDIT COMMITTEE

24 JANUARY 2017

Present: County Councillor Hugh Thomas (Chairperson)  
Gavin McArthur and David Price

County Councillors Howells, McGarry, Mitchell, Murphy and Walker

WELCOME

At the commencement of the meeting the Chairperson welcomed the two newly appointed Independent Members, Gavin McArthur and David Price. Both Independent Members made introductory statements.

The Chairperson also asked Members to note that Janet McNicholas of the Wales Audit Office will retire at the end of February. The Chairperson requested that with the Committee's approval a letter be sent to Janet McNicholas thanking her for her contribution to the work of the Committee and sending her best wishes for her retirement.

63 : APOLOGIES FOR ABSENCE

Apologies for absence were received from Ian Arundale and Councillor Kelloway.

64 : DECLARATIONS OF INTEREST

The following declarations of interest were made in accordance with the Members Code of Conduct

Councillor Mitchell	Item 9.2	School Governor Family Member of a Social Worker
Councillor Howells	Item 9.1	School Governor

65 : MINUTES

The minutes of the meeting held on 29 November 2016 were approved by the Committee as a correct record and were signed by the Chairperson.

Matters Arising

The Head of Finance advised that the Integrated Service/Financial Strategy proposals referred to had not yet been received by formal Cabinet.

Members were asked to note that the issue of cyber security had been considered as part of the Corporate Risk Register. The Corporate Risk Register would be presented as an agenda item at the next meeting of the Committee.

The Head of Finance stated that work was in progress on a report providing a breakdown of the justifiable agency spend across service areas; and a position statement report on comparing the staff terms and conditions.

Finance

66 : FINANCE UPDATE

Members received a report providing an update on the Council's financial position. The Corporate Director Resources provided a verbal update to the Committee.

Members were reminded that in November 2016 the submission of late representations from members of the public had prevented the Wales Audit Office from certifying the Statement of Accounts 2015/16. Members were advised that the Corporate Director has received confirmation that all outstanding issues have been investigated and resolved and, subsequently, the Statement of Accounts 2015/16 has received a clear audit opinion and certificate.

In terms of the financial monitoring position, the Corporate Director stated that the Month 6 monitoring report was presented to the Audit Committee on 21 November 2016. The Month 9 monitoring report was due to be received by the Cabinet in February. The Month 9 report was anticipated to demonstrate a continued improvement to the overall position. A report on the Month 9 position will be presented to the next meeting of the Committee on 14 March 2017.

Members were advised of the progress of the 2017/18 Budget Strategy.

Due diligence on the initial 2017/18 budget proposals and in respect of the budget savings shortfalls identified as part of the budget monitoring process in the current financial year has been undertaken, in order to form a view regarding the achievability of these savings. The outcomes of this work, the identification of further budgetary pressures, and an update on the funding position following the announcement of the Provisional Settlement was reflected in the 2017/18 Budget Proposals consultation report which was approved by the Cabinet on 10 November 2016. This report identified a budget reduction requirement of £25.1 million, an increase of £0.8 million compared to the Budget Strategy report. The budget consultation period ran from 10 November to 16 December 2016. The results of the consultation process are being considered by the Cabinet as part of their final budget proposals.

The Welsh Government's Final Local Government Settlement was announced on 21 December 2016. Cardiff will receive a cash increase of 0.5% in Aggregate External Finance, compared to the Welsh average of 0.2%. The increase equates to £2.298 million but the impact of new responsibilities mean that the true cash increase reduces to £294,000, a net reduction of £593,000 compared to the Provisional Settlement. A number of specific grants are yet to be confirmed and these will be kept under review. The Final Settlement also contained an increase in General Capital funding over 2015/16 of 0.3% equating to £41,000 in cash terms.

Members were advised that the Cabinet is currently reviewing their budget proposal having received the final settlement, the results of the consultation process and updates to the budget reduction requirements for 2017/18. Final proposals will be

presented to the Cabinet meeting on 16 February 2017. The budget will be considered by Council on 23 February 2017.

The Chairperson invited questions and/or comments on the report. Those discussions are summarised as follows:

- Members noted the position in terms the continued of overspends in the Social Services Directorate. In answer to a question, Officers advised that cost, inflationary and demand pressures are taken into account when advising on the new year's budget. The overspends referred to relate a combination of non-achieved savings and demand pressures. Non-achieved savings were reviewed as to whether they were due to delays or no longer able to be achieved. Account will also be taken of demographic, inflationary pressures and the impact of the living wage.
- Referring to the slippage identified in paragraph 8 of the report, Members asked for information regarding the nature of the slippage and the actions put in place to ensure that these matters were being properly addressed. The Corporate Director stated that, whilst it was not uncommon for capital programmes to have some slippage, officers understand that capital bids must take process requirements and expenditure profiling into account. There is a process to ensure that programmes are robust, but sometimes delays occur.
- Members sought assurance that if slippage involves lengthy delays, then inflationary costs are factored in. The Corporate Director confirmed that there are control points within the Financial Procedure Rules that cover this issue.
- A Member noted that slippage on capital projects was approximately 20%. It was suggested that officers possibly lack the required project management skills and resources may be required to address the shortfall. The Corporate Director stated that slippage occurred for a variety of reasons and Directors are aware of the requirement for robust estimates and profiling.

RESOLVED – That the financial information provided and the process being adopted in respect of budget preparation for 2017/18 and the medium term be noted.

## Governance and Risk Management

### 67 : AUDIT COMMITTEE ANNUAL REPORT

The Committee received a brief discussion paper on the Audit Committee Annual Report 2016/17. Members were asked to consider the subject matter of the Annual Report and the opinion of the Committee on items to be included was invited.

Members were advised that following a review of the Audit Committee's work during the year six key issues were identified and framed as follows:

- Organisational Development Programme
- Financial/Internal Control
- Contract and Procurement Matters
- School Governance and Compliance
- Financial Resilience (including Treasury Management)

- Budget Prioritisation / Control

A draft annual report will be prepared and a further progress report will be submitted to the Audit Committee on 14 March 2017.

Resolved – That:

- (1) Members of the Committee consider and contribute to the draft Audit Committee Annual Report 2016/17 discussion;
- (2) The draft Annual Report be presented to the next meeting.

#### 68 : AGS 2016/17 ACTION PLAN (MID YEAR)

The Committee received a report providing Members with the Annual Governance Statement (AGS) Action Plan highlighting significant governance issues at the mid-year position 2016/17, as assessed by the Senior Management Team (SMT). The year-end position will be reported in the Annual Governance Statement.

Members were reminded that the Management Assurance Statements were reported to the Committee at its meeting on 29 November 2016. Details of the Governance issues identified and the mid-year review assessment of each were presented in the appendix to the report.

Members sought assurances relating to the phrasing of a section of the action plan relating to the timescale afforded to officers to provide full and robust professional advice. The Corporate Director advised that for complex issues sufficient time needs to be given to officers to provide legal and financial advice.

Responding to a question from a Member, the Corporate Director confirmed that there were clear definitions of standards and these were being adhered to. An external body was recently engaged to review project management arrangements to ensure Council that projects can be delivered. The review is ongoing.

Members considered whether or not there was an urgent need to separate the Procurement Strategy from the Commissioning Strategy. Members also felt that the authority should be able to consider the past performance of contractors when assessing bids for tenders. Officers confirmed that the Procurement Strategy allowed for concerns regarding performance issues by contractors to be addressed.

In relation to internal market costing, Members asked what steps had been taken to ensure greater cost awareness. The Corporate Director advised there is a need for the authority to act more commercially. Business units need much more clarity in terms of understanding their costs.

RESOLVED – That the report be noted.

#### 69 : AUDIT COMMITTEE/SCRUTINY PROTOCOL

The Head of Finance provided Members with an update regarding the protocol between the Audit Committee and Scrutiny.

RESOLVED – That the report be noted.

Wales Audit Office

70 : WALES AUDIT OFFICE - VERBAL UPDATE

Ann-Marie Harkin confirmed that the Wales Audit Office has issued the Completion Certificate for the 2015/16 Statement of Accounts. Work was ongoing in preparation for the 2016/17 audit.

71 : WAO TRACKER/OTHER STUDIES

The Head of Finance reported that during the period 11 November 2016 to 6 January 2017 there were no Wales Audit Office (WAO) reports of particular relevance to local authorities.

A Member requested for information regarding the status of work undertaken by WAO in Cardiff.

RESOLVED – That:

- (1) The report be noted;
- (2) Ann-Marie Harkin agreed to provide the Committee with a briefing note to this effect.

Treasury Management

72 : PERFORMANCE REPORT

*This report contained exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972. It was agreed that the public be excluded for the duration of the discussion of this item of business on the grounds that if members of public were present during the discussions, due to the nature of the business to be transacted there would be disclosure to them of exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act, 1972.*

The Committee received a report setting out the Treasury Management performance and a position statement at 31 December 2016. Anil Hirani summarised the key issues identified in the report.

Officers confirmed that treasury management was subject to both internal and external audit review. An update on the key Internal audit findings from their annual review of Treasury Management controls was anticipated by March 2017. External audit is also undertaken annually as there are significant treasury management disclosures in the Council's Statement of Accounts.

Members asked what effect any predicted rise in borrowing interest rates would be. Whilst this may impact on new borrowing, the Corporate Director advised that existing loans are secured at fixed rates and the authority would therefore not be impacted by an increase in interest rates on its existing loans.

Officers agreed to provide the Committee with a comparison of maturity analysis profiles with other local authorities to the June 2017 meeting of the Committee.

RESOLVED – That the report be noted.

### 73 : DRAFT TREASURY MANAGEMENT STRATEGY 2017/18

The Committee received the draft Treasury Management Strategy 2017/18. Members were invited to comment on the draft strategy prior to its approval by the Council as part of the 2017/18 budget report. A summary of the key themes in the strategy was provided in the report.

Members asked how often the strategy was reviewed. Officers confirmed that the strategy covers a three-year period and it is reviewed annually as part of the budget process, with a mid-year update and year end annual report to Council and Audit Committee each year. Members asked how often credit criteria are reviewed as an annual review may not pick up changes in credit criteria. Officers indicated that treasury management advisors are employed to review credit criteria and any changes in credit criteria are received on a daily basis and reviewed before any investments are placed with an organisation. Whilst the Strategy sets out who we could invest in, the Corporate Director Resources has a delegation to continually review this in order to react quickly to changes in market conditions. Members asked as to whether a formulaic approach or set trigger point could be used to determine the timing of any borrowing and level of internal borrowing. Anil Hirani indicated that future years financial forecasts are considered in determining the capacity for internal borrowing and agreed to reflect on the merits of a trigger point approach in conjunction with treasury management advisors and will report considerations back to committee as part of a future update to the strategy.

Members queries what the reference to Landfill provision was in relation to the strategy. Officers indicated that accounting rule changes and Wales Audit Office advice required the future costs of reinstatement and monitoring of landfill sites over at least a 60-year period to be reflected in the Statement of Accounts as a provision. These relate to Ferry Road and Lamby Way sites.

RESOLVED – That:

- (1) The report be noted;
- (2) Anil Hirani to reflect on the merits of a trigger points approach to balancing investments with treasury management advisors and report back to a future meeting of the Committee.

Internal Audit

### 74 : PROGRESS UPDATE

*This report contained exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972. It was agreed that the public be excluded for the duration of the discussion of this item of business on the grounds that if members of public were present during the discussions, due to the nature of*



*the business to be transacted there would be disclosure to them of exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act, 1972.*

*Councillors Howells and Mitchell declared personal interests in the following item in accordance with the Members Code of Conduct as School Governors.*

The Committee received a report providing an update on the work of Internal Audit to 31 December 2016. The Head of Finance highlighted the progress made and the planned audits.

Members noted that there were 16 limited assurance reports in the Education and Lifelong Learning directorate.

Officers agreed to provide members with further details of the audit into Youth Centre inventories.

Members reflected and requested that consideration be given as to how this information is presented in the future. Members requested that the Audit Committee be made aware of any key weaknesses and the Head of Finance suggested that this be addressed in the Draft Audit Plan which is due to be considered at the March 2017 meeting of the Committee.

RESOLVED – That:

- (1) the report be noted.
- (2) Officers provide members with further details of the audit into Youth Centre inventories.

75 : DRAFT INTERNAL AUDIT CHARTER 2017/18

The Audit Committee has a responsibility to approve the Internal Audit Strategy and review its terms of reference on an annual basis. The Committee received a report providing Members with the draft Internal Audit Charter for 2017/18.

Appendix C to the strategy suggested a revised terms of reference for the Audit Committee.

The Head of Finance invited comments from the Committee. Members of the Committee suggested a number of minor amendments to the Charter. The suggested amendments were:

- Para 6 – ‘employees are requested’ – strengthen ‘requested’
- Para 15 –To review the paragraph and report back to Committee
- Page 97 – delete word ‘five’ to read ‘Scrutiny Committees’

Members also requested that officers clarify the procedure required to allow the Council to formally adopt the Committee’s revised terms of reference.

Members were advised that a further report would be presented to the March 2017 meeting of the Committee requesting the Committee to agree the finalised Internal Audit Charter 2017/18 before submission to Council for approval.

RESOLVED – That the Committee receive the Audit Charter 2017/18 at the meeting on 14 March 2017.

#### 76 : DRAFT PROSECUTION POLICY

The Committee received the Draft Prosecutions Policy. Members were advised that the Internal Audit Investigations Team conduct criminal investigations in respect of individuals who commit fraud against the authority.

Members were asked to consider, note and comment on the revised policy.

Officers were asked to clarify the position in respect of prosecutions against Members of staff who had resigned or retired. Members were advised that the new Disciplinary Policy addresses these issues.

RESOLVED – That the report be noted.

#### 77 : PUBLISHED SCRUTINY LETTERS

The Committee received a report setting out relevant information in relation to correspondence issued by Scrutiny Committees.

The Committee discussed the contents of the report and requested officers to provide a summary of any matters considered to be relevant to the Audit Committee.

RESOLVED – That the Chairperson, in consultation with the Corporate Director and the Head of Finance, agree a refreshed format for the Scrutiny Correspondence report to be presented to the Committee on 14 March 2017.

#### 78 : WORK PROGRAMME UPDATE

RESOLVED – That the Audit Committee Work Programme be noted.

#### 79 : URGENT BUSINESS

No urgent business items were received.

#### 80 : DATE OF NEXT MEETING

The next meeting is scheduled to take place on 14 March 2017.

The meeting terminated at 5.00 pm

***This document is available in Welsh / Mae'r ddogfen hon ar gael yn Gymraeg***

**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD****AUDIT COMMITTEE:****14 MARCH 2017**

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**FINANCIAL UPDATE 2016/17****REPORT OF THE CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 4.1**

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**Reason for this Report**

1. The Audit Committee Terms of Reference sets out their responsibility for Governance, Risk & Control and also Financial Reporting. This report allows the Committee to be updated with reference to the above.
2. This report has been prepared to provide the Audit Committee with an update on the Council's financial position.

**Background**

3. To assist the committee in understanding the current financial context within which the Council is operating, this report sets out an overview of the current monitoring position for 2016/17 and provides a brief update on the 2017/18 Budget approved by Council on the 23 February 2017 and the medium term.

**Issues****Financial Monitoring**

4. The Cabinet considered the Month Nine Monitoring Report on 16 February 2017. Overall, the month nine revenue monitoring for the Council showed a balanced position against budget, an improvement of £537,000 compared to the position reported at month six. The improvement reflected a number of factors including a significant saving on insurance costs, additional surplus on Council Tax collection and further NDR refunds on Council properties. These were partially offset by a reduced saving on capital financing costs and by an overall increase in the projected overspend on directorate budgets. Further projected overspends were reported in relation to Social Services, City Operations and Education & Lifelong Learning with all other directorates reporting improved positions compared to month six.
5. The overall position continued to reflect financial pressures and shortfalls against budget savings targets in directorate budgets although these were partly offset by projected savings on capital financing and insurance costs, the release of contingency budgets previously earmarked to fund voluntary severance costs, an anticipated surplus on Council Tax collection and NDR refunds on Council properties. Directorate budgets were projected to be overspent by £7.032 million however it is anticipated that continued management actions will enable this to be

reduced by the year end. The projected overspends include £5.981 million in Social Services, £955,000 in City Operations, £425,000 in Corporate Management and £100,000 in Education & Lifelong Learning. This reflects a range of factors including increased demographic and cost pressures in Social Services, shortfalls in income and the anticipated failure to fully achieve the savings targets set as part of the 2016/17 Budget together with on-going shortfalls carried forward from the previous financial year. The directorate overspends were partially offset by the £4.0 million general contingency budget which was maintained as part of the 2016/17 budget in order to reflect the quantum, risk and planning status of the proposed savings for 2016/17.

6. An overall shortfall of £6.253 million is anticipated against the £25.892 million directorate savings target with £14.701 million having been achieved to date and a further £4.938 million anticipated to be achieved by the year end. The budget approved by Council on the 25 February 2016 identified red or red / amber achievability risks totalling £11.663 million with £2.752 million of the savings proposals still at a general planning stage. These risks are evident in the projected shortfall reported as part of the month nine monitoring. A projected shortfall of £1.832 million has also been identified in relation to savings targets carried forward from 2015/16. Overall, this represents an increase of £723,000 compared to the shortfalls identified in relation to the 2016/17 targets and the carried forward savings from 2015/16 as reported at month six. The projected shortfalls are reflected in the directorate monitoring positions although where possible shortfalls have been offset by savings in other budget areas. The £4.0 million general contingency budget which was allocated to reflect the risk and planning status of the proposed savings for 2016/17 is also available to offset the shortfall in the current financial year.
7. Actions are continuing to be taken by those directorates reporting a projected overspend to try to resolve the issues that led to this position or alternatively to identify offsetting savings in other areas of the service. These are considered as part of the challenge process to review the performance of directorates including the budget monitoring position. In addition, the Chief Executive holds regular meetings with directors to identify measures to reduce the level of spend across the Council with the intention of improving the overall position as the year progresses.
8. The total Capital Programme for 2016/17 amounts to 128.3 million with a projected outturn of £109.8 million resulting in a net variance of £18.5 million. The majority of the variance is due to slippage and includes a significant variance in relation to the 21<sup>st</sup> Century Schools Programme including the new Eastern High School. Directorates have been reminded of the need to avoid slippage wherever possible by ensuring their project plans and profiles are robust.

### **2017/18 Budget and Medium Term**

9. The 2017/18 Budget was approved by Council on 23 February 2017. The Budget is aligned with the priorities identified in the Corporate Plan and with the Council's values. For example, the budget contains:-
  - £7.2 million investment in schools
  - significant investment in social services including net growth of £9.2 million and resources for 68 additional posts

- support for Cardiff Capital Region City Deal (CCRCD) and in Central Square
  - savings that aim to avoid cuts where possible by adopting a more commercial approach, by working with others and by challenging internal processes
  - a two stage consultation process.
10. Technical features of the budget aim to ensure that the impact of decisions taken now are balanced with their impact on future generations. There is close alignment between the budget and the seven Liveable City Outcomes that in turn are closely aligned to the national ambitions for Wales' wellbeing as defined in the Future Generations Act.
11. In setting the 2017/18 budget, which totals £586.984 million, an underlying budget reduction requirement of £24.880 million was addressed through the following measures:-

	<b>£000</b>
30% cap on schools growth (non pupil number)	1,853
Use of Earmarked Reserves	1,500
Savings	17,007
Council tax at 3.7% (net)	4,520
<b>TOTAL</b>	<b>24,880</b>

12. The due diligence for the 2017/18 budget process took account of the risk in respect of the unachieved savings identified within the 2016/17 budget monitoring process. Based on this review, the 2017/18 Budget includes the write out of £1.073 million of prior year savings based on the perceived risk associated with their future achievability. Directorate base budgets for 2017/18 reflect the consequential budget realignments.
13. The 2017/18 budget savings of £17.007 million were risk rated for residual risk, achievability risk and their equalities impact. No proposals were rated as having a red risk in any of these categories. Proposals with red-amber risk totalled £6.575 million in respect of residual risk, £6.727 million in respect of achievability risk and £3.618 million in respect of their equalities impact. All proposals with a red-amber equalities rating have been subject to a full Equalities Impact Assessment.
14. The planning status of savings has been reviewed with 95% of the proposed savings either having been realised or with detailed plans in place. The achievement of savings will be closely monitored through the coming year. The £4 million general savings contingency that was established in 2014/15 has been reduced by £1 million as part of the 2017/18 budget. This is in recognition that the quantum of savings for 2017/18 is significantly lower than in previous years.
15. The final settlement for Cardiff set out a funding increase of 0.5% which equates to additional cash of £2.3 million compared with 2016/17. However, the actual increase in spending power for Cardiff reduces to £294,000 once new responsibilities and other differentiating year on year factors are taken into account.

16. As part of the 2016/17 budget a £4 million Financial Resilience Mechanism (FRM) was established. The mechanism, which is equivalent to approximately 1% of AEF supports one-off investment in priority areas and is available for release in subsequent years in the event that the settlement is worse than the 1% reduction assumed in the MTFP. The Final Settlement confirmed that release of the Council's FRM would not be required in 2017/18. Consequently, the mechanism will be available during 2017/18 for one-off investment. As noted below, its use has been determined taking into account comments received as part of consultation.
17. A two-stage consultation took place in relation to the 2017/18 budget. Consultation on general budget themes took place via Ask Cardiff and this paved the way for a more detailed consultation that ran between 10 November 2016 and 16 December 2016. Engagement on the Budget also took place with Scrutiny Committees, Trade Unions, employees and School Budget Forum.
18. Some changes have been made to the budget proposal since public consultation. These include technical updates to take account of final settlement, emerging pressures and most recent price information. In addition, in drafting the final Budget Proposal Cabinet took account of consultation feedback. In general, there was significant support via the consultation for key budget assumptions and themes. In drafting the final budget proposal, changes have been made to reflect specific comments – e.g. the removal of fees for child burial and cremation. In addition, the Council's financial resilience mechanism will be invested in a way that supports priorities that were identified as part of the consultation, including highways improvement and street scene.
19. There will be a net increase of 53.55 full time equivalent (FTE) Council posts as part of the 2017/18 Budget. This is made up of the deletion of 43.90 FTE offset by the creation of 97.45 FTE. The net increase in posts in 2017/18 follows several years of significant reductions, and is largely attributable to the creation of additional posts in Social Services to address demand pressures and the requirements of the Social Services and Well-being Act.
20. The Medium Term Financial Plan (MTFP) for the financial years 2018/19 to 2020/21 as set out in the Budget Report shows a potential budget gap of £80.907 million over the three-year period. This is the base case position with a worse case analysis indicating a potential budget gap of £105.824 million for the same period. The Budget Report sets out a range of measures and budget savings based on themes to address the potential base budget gap. Work will now commence on the 2018/19 Budget to enable a Budget Strategy Report to be presented to Council in July 2017. This will also provide an update to the MTFP for any known changes.
21. The Capital Programme for 2017/18 totals £143.049 million with £373.076 million identified in relation to the Programme as a whole over the period 2017/18 to 2012/22. The capital budget for 2017/18 will be updated during the financial year for any additional approved grant funding towards capital schemes.
22. The Budget Report included an extensive section on the Council's financial standing, risks and financial resilience, which also set out the position on Council reserves. This section was accompanied by a further update of the Council's financial resilience snapshot, which is included at Appendix 1 to this report.

### **Reason for Recommendations**

23. To inform the Audit Committee of the current financial context for the Council.

### **Legal Implications**

24. No direct legal implications arise from this report.

### **Financial Implications**

25. There are no direct implications arising from this information report.

### **RECOMMENDATIONS**

26. To note the financial information provided in respect of the 2016/17 monitoring position and the outcome of the budget for 2017/18 and the medium term.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
**March 2017**

*The following appendices are attached:*

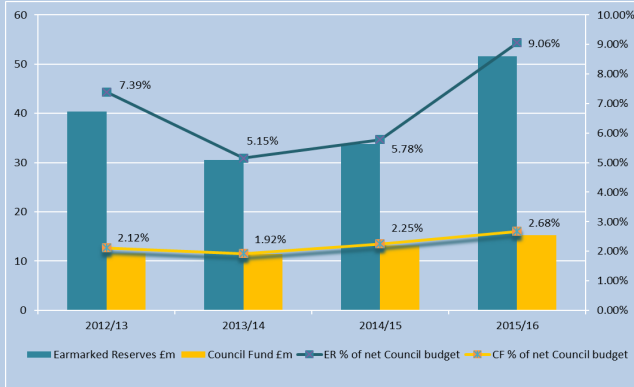
Appendix 1 – Financial Snapshot – Budget Report Version

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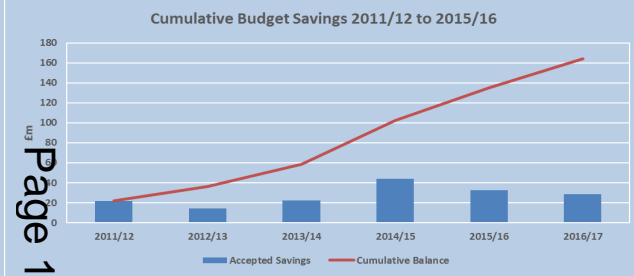


**FINANCIAL SNAPSHOT REPORT - BUDGET REPORT VERSION**

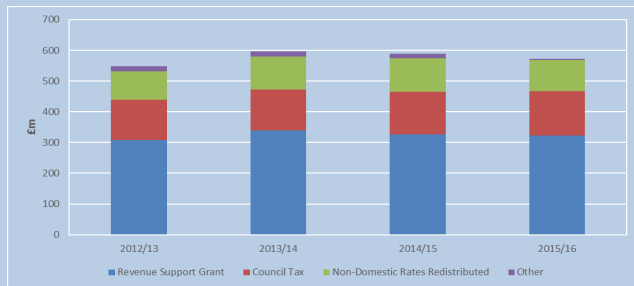
Below gives an indication of the financial resilience of the Council as per the Statement of Accounts. Level of Council Fund (CF) and Earmarked Reserves (ER)



**Cardiff Council Historic Cumulative Budget Savings**



**Actual Revenue Funding Split**



**Other Financial Ratios**

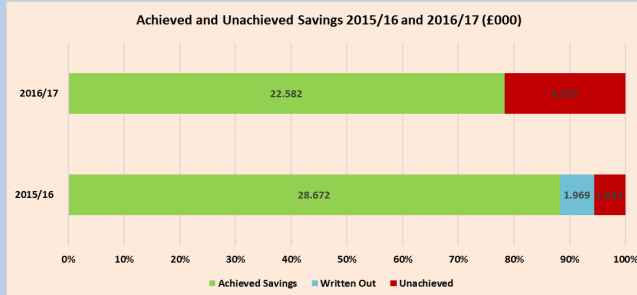
Ratio	2012/13	2013/14	2014/15	2015/16
Working Capital to Gross Revenue Expenditure (%)	8.34%	5.18%	5.13%	6.02%
Usable Reserves to Gross Revenue Expenditure (%)	7.46%	6.43%	7.16%	10.31%
Earmarked Reserves to Gross Revenue Expenditure (%)	5.25%	3.85%	4.28%	6.63%
Unallocated/General Reserves to Gross Revenue Expenditure (days)	5	5	6	7
Long-term Borrowing to Long-term Assets (ratio)	0.22	0.25	0.24	0.35
Long-term Borrowing to Taxation & Non-Specific Grants (ratio)	0.75	0.69	0.72	1.05
Council Tax Due to Taxation & Non-Specific Grants (%)	25.58%	23.32%	25.64%	27.68%

The figures below show the projected outturn position for the 2016/17 financial year for both revenue and capital.

**Revenue Month 9 Projected Position**

Directorate	Net Expenditure Budget £000	Projected Outturn £000	Variance £000	Variance %
City Operations	33,786	34,741	955	2.8%
Communities, Housing & CS	43,691	43,572	(119)	(0.3%)
Corporate Management	24,054	24,479	425	1.8%
Economic Development	13,015	12,920	(95)	(0.7%)
Education & Lifelong Learning	243,758	243,858	100	0.0%
Governance & Legal Services	4,714	4,659	(55)	-1.2%
Resources	19,421	19,261	(160)	(0.8%)
Social Services	146,705	152,686	5,981	4.1%
<b>Total Directorates</b>	<b>529,144</b>	<b>536,176</b>	<b>7,032</b>	<b>1.33%</b>
Capital Financing	35,310	34,790	(520)	(1.5%)
Discretionary Rate Relief	300	315	15	5.0%
General Contingency	4,000	0	(4,000)	(100.0%)
Summary Revenue Account etc.	9,407	8,107	(1,300)	(13.8%)
Council Tax Collection	0	(642)	(642)	0.0%
NDR Refunds on Council Properties	0	(585)	(585)	0.0%
<b>Total</b>	<b>578,161</b>	<b>578,161</b>	<b>0</b>	<b>0.0%</b>

**Revenue Savings Achieved and Unachieved as at Month 9**



Directorate	Unachieved Savings by Year		
	2015/16 £000	2016/17 £000	Total £000
City Operations	311	1,623	1,934
Communities, Housing & CS	132	383	515
Corporate Management	0	275	275
Economic Development	120	1,502	1,622
Education & Lifelong Learning	46	740	786
Governance & Legal Services	0	24	24
Resources	29	144	173
Social Services	1,194	1,562	2,756
<b>Total</b>	<b>1,832</b>	<b>6,253</b>	<b>8,085</b>

\*The 2017/18 Budget will write out £1.073 million of the above unachieved savings.

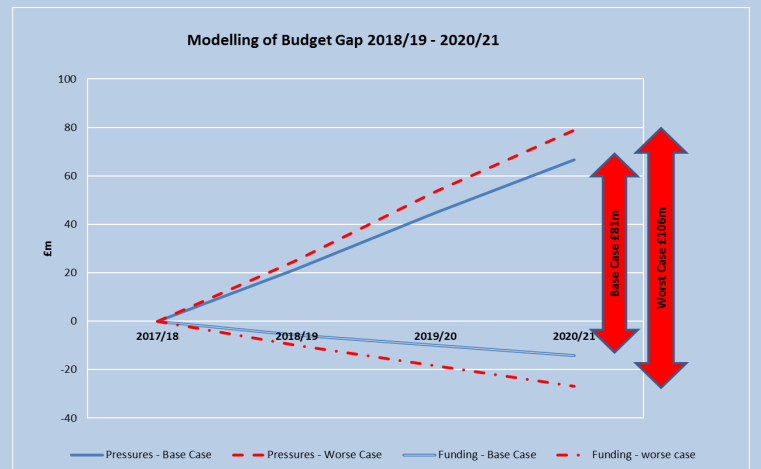
**Capital Month 9 Projected Position**

Directorate	Budget £000	Projected Outturn £000	Variance £000	Variance %	(Under)/ Overspend £000	Slippage £000
City Operations	27,539	22,194	(5,345)	(19.4%)	170	(5,515)
Communities, Housing & CS	14,072	11,162	(2,910)	(20.7%)	0	(2,910)
Economic Development	10,160	20,754	10,594	104.3%	0	10,594
Education & Lifelong Learning	47,525	31,431	(16,094)	(33.9%)	(63)	(16,031)
Resources	2,830	1,163	(1,667)	(58.9%)	0	(1,667)
Social Services	575	350	(225)	(39.1%)	(100)	(125)
<b>Total</b>	<b>102,701</b>	<b>87,054</b>	<b>(15,647)</b>	<b>(15.24%)</b>	<b>7</b>	<b>(15,654)</b>

The tables below show the Medium Term Financial Plan (MTFP), the risks and affordability indicators facing the Council.

**MTFP Scenario**

	2018/19 £000	2019/20 £000	2020/21 £000	TOTAL £000
Financial Pressures	21,599	23,220	21,876	<b>66,695</b>
Funding Reductions	5,780	4,237	4,195	<b>14,212</b>
<b>Budget Requirement Reduction</b>	<b>27,379</b>	<b>27,457</b>	<b>26,071</b>	<b>80,907</b>
<b>Budget Strategy Assumptions</b>	<b>7,680</b>	<b>6,839</b>	<b>6,388</b>	<b>20,907</b>
<b>Total Savings Required</b>	<b>19,699</b>	<b>20,618</b>	<b>19,683</b>	<b>60,000</b>
<b>Total Strategy</b>	<b>27,379</b>	<b>27,457</b>	<b>26,071</b>	<b>80,907</b>



**Capital Expenditure & Capital Financing Requirement (CFR)**

	31 Mar 16 £000	31 Mar 17 £000	31 Mar 18 £000	31 Mar 19 £000	31 Mar 20 £000
<b>Capital Expenditure</b>	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Council Fund (General Fund)	82	87	113	81	18
Housing Revenue Account	207	23	30	31	24
<b>Total Capital Expenditure</b>	<b>289</b>	<b>110</b>	<b>143</b>	<b>112</b>	<b>42</b>
<b>Capital Financing Requirement excl. Landfill</b>					
Council Fund CFR	432	449	476	472	462
Housing Revenue Account CFR	277	274	282	291	292
<b>Total CFR</b>	<b>709</b>	<b>723</b>	<b>758</b>	<b>763</b>	<b>754</b>

**Affordability Indicator - Capital Financing Costs as a % of Controllable Budget**

	2011/12	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Difference 11/12-21/22
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	
	%	%	%	%	%	%	%	
<b>Net</b>	<b>13.47</b>	<b>15.78</b>	<b>14.77</b>	<b>15.29</b>	<b>15.78</b>	<b>17.17</b>	<b>18.32</b>	<b>36.01</b>
<b>Gross</b>	<b>15.17</b>	<b>19.68</b>	<b>19.44</b>	<b>20.13</b>	<b>20.51</b>	<b>22.00</b>	<b>23.19</b>	<b>52.87</b>

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**AUDIT COMMITTEE: 14 MARCH 2017**

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**STATEMENT OF ACCOUNTS 2016/17 – ACCOUNTING POLICIES AND  
FUTURE REGULATORY CHANGES**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 4.2**

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**Reason for this Report**

1. The Audit Committee Terms of Reference sets out their responsibility for reviewing the financial statements prepared by the authority.
2. This report has been prepared to provide Audit Committee Members with:-
  - A. The draft accounting policies on which the Statement of Accounts for 2016/17 will be based, along with the key areas in the accounts where estimates and assumptions are used in preparation of the accounts.
  - B. The key changes arising to the 2016/17 CIPFA Code of Practice (the Code).
  - C. Information highlighting Code updates beyond 2016/17 that are likely to have the most impact on the accounts.
  - D. The key changes proposed in a Welsh Government (WG) consultation on Accounts and Audit Regulations.

**Background**

3. Councils are required to prepare the Accounts using a Code of Practice developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) under the oversight of the Financial Reporting Advisory Board. The Code is based on International Financial Reporting Standards (IFRSs) and sets out the minimum requirements for financial statements of the Council.

The Council's Statement of Accounts for 2015/16 was considered by Audit Committee in June and September 2016. It is a technical document, which relies on information received from many Directorates; relies on technical expertise and capacity in order to meet tight timescales for preparation, makes previously recommended improvements, and supports the external audit. Preparation and audit of the accounts needs to consider the significant assumptions required and materiality of their impact in determining the performance of the Council to its Council Tax and Rent Payers.

During 2015, CIPFA undertook a consultation ('Telling the Story'), which aimed to review non-essential items included within Local Authority Statement of Accounts

and better explain the financial statements. Attached at Appendix 1 is a guide produced by CIPFA on Understanding Local Authority Financial Statements, which may be useful information to members.

During 2015/16, the Council worked with Wales Audit Office (WAO) to improve a number of areas and this process of improvement will continue, including considering materiality of transactions, simplifying wording, removing or adding narrative where this better explains the Councils performance or figures included in the accounts.

4. Whilst there are a number of changes proposed in the latest Code, this report will focus on the key accounting changes that will impact upon the Council's accounts.

### **Draft Accounting Policies 2016/17 and Assumptions**

5. The Council's draft 2016/17 accounting policies is included, at Appendix 2. Apart from minor changes in wording or removal of immaterial policies, no significant changes in the policies are made that would impact on the reporting of financial performance historically or in the future. Such proposed amendments have been considered and agreed with Wales Audit Office. A summary of the main changes is shown below:

<b>Page</b>	<b>Policy Number</b>	<b>Accounting policy</b>	<b>Change</b>
1	1	Accounting policies issued but not yet adopted	First sentence in the second paragraph removed and minor wording amendments. Final paragraph removed as not applicable.
3	7	Defined Benefit Schemes	The definition previously included has been removed, as this is included in the Glossary. Wording in this policy has been changed to reflect wording and format in the Code, as well as trying to make it easier to understand.
4	7	Defined Contribution Schemes	The definition previously included has been removed, as this is included in the Glossary.
N/A	N/A	Foreign Currency Transaction	Previously the policy was included in the accounting policies but has been removed, as the amounts included in the Council's accounts are not material.
9	20	Non-Current Assets Held for Sale	Simplification of the wording where Assets Held for Sale are required to be reclassified.
9	21	Overhead and Support Services Costs	Due to the changes to the 2016/17 Code discussed further in this document, which allows the Council to report their net cost of services based on the same reporting structure as for monitoring. The previous reporting policy has been deleted and wording amended to reflect the change.
9	22	Prior Period Adjustments	No change to the wording but order of the paragraphs moved around and bullet points deleted.
9	23	Property, Plant,	Tidying up of the wording in the bullet points –

Page	Policy Number	Accounting policy	Change
		Equipment, Community and Heritage Assets	in the main deleting wording that is not needed. Movement of some of the information to the revaluation heading where relevant.

6. The changes to the Code mean that authorities are allowed to report their service segments based on the way in which they operate and manage services, rather than using the service expenditure analysis which is prescribed in the Service reporting Code of Practice.
7. The Council is required to highlight areas of the accounts where assumptions and estimates have to be made. e.g. in the valuation of fixed assets. Whilst changes in assumptions and different assumptions could have a significant impact on the values included in the accounts, such valuations are purely an accounting exercise and changes which have no impact on the level of Council Tax / Rent payable, as they are required to be reversed. The significant assumptions to be made remain largely unchanged from the previous audited accounts and are shown in Appendix 3.

### **Changes in the 2016/17 Code**

8. The most significant changes within the 2016/17 Code are:-
9. The Comprehensive Income and Expenditure Statement (CIES) shows the income and expenditure on the authority's services in one financial year in accordance with generally accepted accounting principles. The changes to the Code mean that authorities are allowed to report their service segments based on the way in which they operate and manage services, rather than using the service expenditure analysis which is prescribed in the Service reporting Code of Practice. This format should be more meaningful for both local authority members and ordinary users of local authority financial statements, as it follows budget and performance monitoring. Although, it does mean that comparison of the individual lines that make up the net cost of services in the Statement of Accounts between different authorities will not be possible.
10. There is the introduction of a new note - Expenditure and Funding Analysis (EFA) which will show how annual expenditure is used and funded from resources. It will provide a reconciliation between the net expenditure that is chargeable to taxation and rents and the Surplus or Deficit on Provision of Services in the CIES. This should provide users with a clear link between the way information is provided for performance and monitoring purposes and the statutory adjustments including capital charges and pension adjustments required to be applied to the accounts to ensure the figures are compliant with the Code.
11. Movement in Reserves Statement (MiRS) shows the movement from the start of the year to the end for the different reserves held by the authority. The reporting requirements have been reduced to an absolute minimum, to make it more understandable to users of local authority financial statements.

12. The changes to the CIES and the new EFA will require restatement of the previous financial year 2015/16.

### **Future potential changes to the Code 2017/18 onwards, subject to outcome of consultation**

13. The 2016/17 Code includes confirmation of changes to forthcoming editions of the Code. These changes are likely to require significant additional workload on the part of the local authority finance function and directorates at a time of significant financial pressure. Consideration of the cost and benefit of all changes will need to be undertaken as part of implementation particularly in respect of the materiality of the impact of the requirements.

### **Highway Network Infrastructure Asset**

14. Audit Committee on the 22 March 2016 received a report on proposed changes in the Code for accounting and reporting of Highway Network Assets as well as the reasons and potential impact of the changes.
15. The Highway Network Infrastructure Asset includes land, carriageways, footways, cycle tracks, structures, street lighting, street furniture and traffic management systems. It is the most valuable asset that the Council holds and operates, in terms of replacement cost. However, local authority accounts do not currently reflect the true value of the asset, its condition, its cost in providing services or the implications of not maintaining it in the short and long term.
16. The Accounting changes will require such assets to be measured at Depreciated Replacement Cost (DRC), rather than Depreciated Historic Cost (DHC), and will also be disclosed separately on the balance sheet. The move to DRC will significantly change the balance sheet and increase depreciation charges to the CIES. There would be no requirement to restate previous years accounts.
17. Whilst this change was planned for implementation in the 2016/17 accounts, at its meeting on 9 November 2016, CIPFA/LASAAC decided to postpone the full implementation of Highways Network Asset for 2016/17. This was due to the provision of central Gross Replacement Cost (GRC) rates including land values not being available in a timely manner to allow successful implementation. CIPFA will be reviewing its decision in March 2017, with a view to earliest implementation being in 2017/18.

### **Other proposed 2017/18 changes**

- A new principles based approach to narrative reporting. This is with a view to explaining in a more effective way the financial and non financial performance of the Council and its position at year end.

### **2018/19 proposed changes**

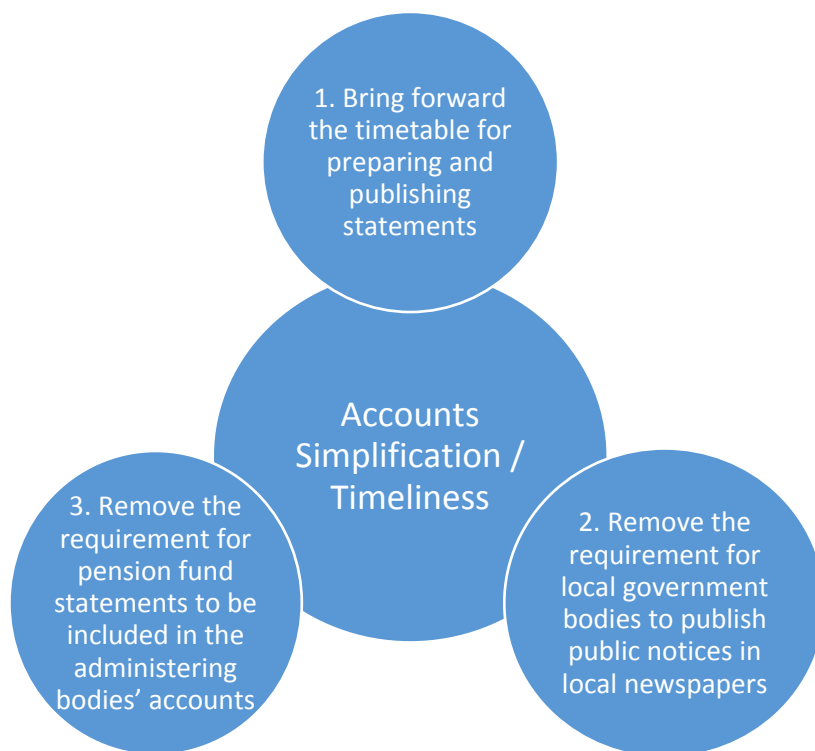
- IFRS 9 Financial Instruments the key impact on the authority would be the change in the valuation of Cardiff Bus.

2019/20 changes

- IFRS 16 Leases – eliminates operating and finance lease classification for lessees.

**Accounts and Audit Regulations Consultation (Nov 2016)**

18. Between 14 November 2016 and 6 February 2017, the WG have been consulting on proposed changes to the Accounts and Audit Regulations that would apply to Local Government Bodies.



19. The Welsh Government proposes bringing forward the timetable for preparing, auditing and publishing the statements of accounts. The aim is to:-

- bring them into line with other parts of the public sector
- enhance the accountability of authorities and the usefulness / timeliness of accounts to local residents
- assist larger relevant bodies' own financial management by providing earlier assurance of the previous year's financial outturn
- free up finance staff time to look at in-year issues, rather than spending a significant part of the year considering the preparation and support for audit of the previous financial year

The table below shows the proposed timetable from November 2016 consultation.

	<b>Accounts</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
<b>22 county and county borough councils &amp; their committees</b>	Prepare and sign by S151	30 June	30 June	15 June	15 June	31 May
	Publish following audit and Council approval	30 Sept	30 Sept	15 Sept	15 Sept	31 July

20. The Council supports the change, whilst recognising the impact on its own staff and external parties from whom information is required for its preparation. The Council currently aims to provide a Statement of Accounts for audit on 15 June. Consideration of changes in process to bring forward the Council's preparation timetable by at least two weeks will need to take place.
21. The significant impact will be on the external audit of the accounts which will require a significant change in approach to audit. To address these concerns a phased approach is proposed to allow WAO to make adequate provision for the revised timetable through its business planning processes. Any such revised approach will also need to take into account materiality and also the impact on local authority resources.
22. Larger relevant bodies are currently required to publish a notice by advertisement in one or more local newspapers circulating in the area of the body concerned stating when their accounts are available for public inspection. Given the wide variety of media for notifying the public of this opportunity, the Council agrees that this would be a sensible change.
23. This proposal would remove the requirement to include the Pension Fund statements in the Statement of Accounts of the administering body. The proposal is to include the Pension Fund Accounts within the *Annual Report* document which is currently required to be published by 1 December each year. Administering authorities could align this timetable with the main administering authority statements if they chose to do so. This would take place from 2017/18 and whilst the change is welcomed in reducing the volume of the Council's Statement of Accounts, the considerations of earlier preparation and audit are also likely to apply if the benefits of simplification and timeliness are also to apply to users of the funds accounts.

### **Reasons for Recommendations**

24. To ensure the Audit Committee are aware of the implications of accounting policy and regulatory changes on the Council's Statement of Accounts.

### **Legal Implications**

25. There are no direct legal implications as a result of this report.

### **Financial Implications**

26. There are no direct financial implications as a result of this report.

### **Recommendations**

27. That the draft accounting policies and assumptions be noted
28. That the update in respect of changes to future years accounts be noted



**CHRISTINE SALTER  
CORPORATE DIRECTOR RESOURCES  
01 MARCH 2017**

The following Appendices are attached:

Appendix 1 – CIPFA Guide – Understanding Local Authority Financial Statements

Appendix 2 – Draft Accounting Policies 2016/17

Appendix 3 – Draft Assumptions and estimates in preparing the Accounts

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# understanding local authority financial statements

2016

# \ introduction

Local authority financial statements have a key part to play in accountability to taxpayers and other stakeholders as to how public money is used. However, the complexity of the financial statements has not always helped this accountability, particularly allowing the amounts in the statements to be easily reconciled to management accounting and in-year monitoring of budgets.

The introduction of the Expenditure and Funding Analysis to the 2016/17 Code is intended to allow a clear link to be made between in-year monitoring and General Fund information and final outturn as set out in the audited financial statements, thus closing the accountability loop from budgets through to outturn.

A key to achieving the aims of the changes will be to use the information not just in the narrative section of the financial statements to explain performance during the year, but more widely to all stakeholders, including elected members as citizens' representatives, in a range of formats and media to provide a definitive position on financial performance. Local authorities are also urged to look to their balance sheets as a part of this explanation and the key messages that can be drawn out.

At the same time it is important that opportunities are taken to cut the clutter and remove immaterial disclosures or through the use of technical appendices to separate out the more complex disclosures. Working in partnership CIPFA/LASAAC will itself continue to review opportunities for improvement and explore links with other published information to ensure that the definitive position remains clear.

This briefing note is intended to help chief financial officers and other senior staff to present the financial statements to members and other stakeholders by explaining how the formats can be used to convey key information. It is also designed to give elected members and stakeholders an introduction to the format of the accounts and provide them with key questions on the financial statements.

An important element of financial reporting which will assist local authorities to tell the story of their financial performance is the narrative report (management commentary in Scotland). This report accompanies the financial statements and should provide a commentary on how the authority has used its resources to achieve desired outcomes in line with its objectives and strategies. It should provide an explanation of the main messages of financial performance, financial position and cash flows in the financial statements.

This publication includes extract financial statements to demonstrate key issues. It is important to note that the Code sets out the minimum requirements for the financial statements of the authority, but authorities are free to include more detail if they think it will help them to explain the accounts to members and other stakeholders.

This publication also highlights the opportunities to simplify presentation and make the messages clearer in a number of areas:

- comparisons with budgets (General Fund and Housing Revenue Account performance)
- reserves position, and
- cash flows.

# comparisons with budgets

For members, probably the most important issue will be whether the authority has a surplus or deficit on General Fund or Housing Revenue Account (HRA) balances against its budget for the year.

The financial statements will enable individual authorities to demonstrate performance both in the way in which they organise themselves and, more importantly, in how they budget against the General Fund to provide services.

## **The introduction of the new expenditure and funding analysis**

The financial statements primarily follow accounting standards rather than local government legislation. Although some information is provided on General Fund and HRA balances this hasn't always been easy to identify in the past. However, the new Expenditure and Funding Analysis provides users of the financial statements with more information to make that analysis (for example, by comparison with their budget reports).

The Expenditure and Funding Analysis brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund (including the HRA).

Proper accounting practices measure the resources that have been generated and consumed in the year including such things as the use of property (depreciation) and the value of pensions benefits earned by the employees. Statutory provisions determine how much of the authority's expenditure needs to be met from council tax each year.

The Expenditure and Funding Analysis:

- shows for each of the authority's services or directorates a comparison of the net resources applied and the net charge against council tax, and
- provides an opportunity to explain significant differences between the two within the authority's framework for accountability.

The Expenditure and Funding Analysis promotes accountability and stewardship by providing a more direct link with the annual decision making process of the authority and its budget ie the General Fund. The changes are more transparent and follow the performance framework of the authority.

The Expenditure and Funding Analysis takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement. To demonstrate accountability and to meet segmental reporting requirements it is necessary to reconcile to the statutory position on the General Fund balance. The service analysis for both the Expenditure and Funding Analysis and the Comprehensive Income and Expenditure Statement are now both provided in the way in which an authority organises itself and manages financial performance.

The Expenditure and Funding Analysis needs to be positioned in the financial statements where it is most accessible and relevant to its users. This means it could be placed before the main statements, to accompany the Comprehensive Income and Expenditure Statement, or even included as the first note. An authority will be able to decide for itself.

## Expenditure and Funding Analysis (extract)

The Expenditure and Funding Analysis analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

20X0/20X1	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
People Directorate	47,385	898	48,283
Neighbourhoods	5,929	13,608	19,537
Business Change	30	224	254
Corporate and Central Services	19,358	833	20,191
<b>Net Cost of Services</b>	72,702	15,563	88,265
Other Income and Expenditure	(72,658)	(1,019)	(73,677)
<b>Surplus or Deficit</b>	44	14,544	14,588
Opening General Fund and HRA Balance at 31 March 20X0	(25,247)		
Less Deficit on General Fund and HRA Balance in Year	44		
<b>Closing General Fund and HRA Balance at 31 March 20x1*</b>	<b>(25,203)</b>		

\*for a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

# comprehensive income and expenditure statement

The Comprehensive Income and Expenditure Statement shows how resources have been generated and expended in accordance with International Financial Reporting Standards. It shows whether the authority's operations resulted in a surplus or deficit. The key lines that summarise performance are highlighted below.

## Comprehensive Income and Expenditure Statement (extract)

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation [or rents]. Authorities raise taxation [and rents] to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement 20X0/X1	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
People Directorate	74,297	(26,014)	48,283
Neighbourhoods	58,225	(38,688)	19,537
Business Change	11,624	(11,370)	254
Corporate and Central Services	24,021	(3,830)	20,191
<b>Cost of Services</b>	<b>168,167</b>	<b>(79,902)</b>	<b>88,265</b>
Other Operating Expenditure (Note 9)	2,218	–	2,218
Financing and Investment Income and Expenditure (Note 10)	11,340	(2,359)	8,981
Taxation and Non-specific Grant Income and Expenditure (Note 11)	–	(84,876)	(84,876)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>14,588</b>
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(36,597)
(Surplus) or Deficit on Revaluation of Available-for-Sale Financial Assets			(101)
Remeasurement of the Net Defined Benefit Liability (Asset)			(8,444)
<b>Other Comprehensive Income and Expenditure</b>			<b>(45,142)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(30,554)</b>

Expenditure of continuing operations, analysed by service segment, these lines are reconciled to the General Fund in the Expenditure and Funding Analysis

Operational costs of providing the services of the authority.

Total income and expenditure of the authority for the year, this line is also reconciled to the General Fund in the Expenditure and Funding Analysis

From 2016/17 local authorities are required to report their service segments based on the way in which they operate and manage services. There is no longer a requirement for that service analysis to be based on the definition of total cost or the service expenditure analysis in the *Service Reporting Code of Practice* in the financial statements. This new format means that the service section of the Comprehensive Income and Expenditure Statement supports accountability and transparency as it reflects the way in which services operate and performance is managed.

Where an authority uses alternative service reporting formats it will need to select the presentation most commonly used by the individual or group within the authority who has the most significant role in allocating resources and assessing performance of services when considering the allocation of resources.

This format of the Comprehensive Income and Expenditure Statement is also more meaningful for both local authority members and users of the financial statements as it follows their budget and performance monitoring and other key documents such as their council tax leaflets.

Treatment of overheads will depend on an authority's arrangements for accountability. If an authority operates and manages some or all of its corporate and support services separately then these service segments would be shown separately on the face of the Comprehensive Income and Expenditure Statement and not apportioned.

The test is whether the expenditure relating to these activities is reported to key decision makers as separate activities or spread across services as overheads for the financial statements. Therefore, there is no longer an absolute requirement to apportion support service overheads to services. However, local authorities will not need to change any of their financial reporting requirements for internal management processes. Whatever you are doing internally determines the structure for external reporting statements.

The Comprehensive Income and Expenditure Statement is then split into two parts.

The first part reflects the full economic cost of providing the services of the authority with the results summarised at the Surplus or Deficit on the Provision of Services line, highlighted above. It represents the operating costs of providing the services of the authority in the year. In the private sector this would be equivalent to the profit or loss of a company.

The second part, other comprehensive income and expenditure, shows the gains or losses in the measurement of the assets and liabilities of the authority. These gains or losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pensions assets and liabilities.



# movement in reserves statement

The Comprehensive Income and Expenditure Statement shows the income and expenditure on the authority's services in the year in accordance with International Financial Reporting Standards as adopted by the Code. However, the amount chargeable to council tax and an authority's General Fund is limited by statutory requirements and requires a number of adjustments. The statutory adjustments largely relate to arrangements for funding local authority capital expenditure or the timing with which some items are charged to council tax. The reserves of the authority represent its net worth; the usable reserves show the resources currently available to spend on services.

The movements in the financial position of the authority are summarised in the Movement in Reserves Statement.

The Movement in Reserves Statement shows how:

- the authority has generated and expended resources in the year; and
- the resourcing position is adjusted under statutory rules to show the funds available to be spent at year end.

The Movement in Reserves Statement prescriptions have been reduced to the absolute minimum in the Code. Authorities can provide additional rows to these minimum requirements if they consider that they need to do so to provide a true and fair presentation of their reserves.

## Movement in Reserves Statement (extract)

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. It shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax [or rents] for the year. The Net Increase/Decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those adjustments.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve* £000	Major Repairs Reserve** £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 20X0</b>	22,118	3,129	10,065	1,600	450	37,362	1,350,567	1,387,929
<b>Movement in reserves during 20X0/X1</b>								
<b>Total Comprehensive Income and Expenditure</b>	(14,983)	395	–	–	–	(14,588)	45,142	30,554
Adjustments from income & expenditure charged under the accounting basis to the funding basis	14,835	(291)	(750)	–	–	13,794	(13,794)	–
<b>Increase or (decrease) in 20X0/X1</b>	<b>(148)</b>	<b>104</b>	<b>(750)</b>	<b>–</b>	<b>–</b>	<b>(794)</b>	<b>31,348</b>	<b>30,554</b>
<b>Balance at 31 March 20X1 carried forward</b>	<b>21,970</b>	<b>3,233</b>	<b>9,315</b>	<b>1,600</b>	<b>450</b>	<b>36,568</b>	<b>1,381,915</b>	<b>1,418,483</b>

\* Capital Fund Scotland

\*\* Applicable in England Only

An overall increase in usable reserves can arise despite a loss being shown in the Comprehensive Income and Expenditure Statement where statutory provisions allow a different charge to revenue from the authority expenditure incurred (eg replacement of depreciation by minimum revenue provision (MRP)). The adjustment to usable reserves is balanced by a movement in unusable reserves.

Unusable reserves such as the Capital Adjustment Account and the Pensions Reserve with debit balances will need to be funded in the future, even if it is over a long period, so increases in these balances show an increasing burden on future taxpayers.

# balance sheet

The balance sheet in local authorities is very similar to other public sector or private sector balance sheets. The balance sheet presents an authority's financial position, ie its net resources at the financial year end. The balance sheet is composed of two main balancing parts: its net assets and its total reserves. The net assets part shows the assets the authority would have control of after settling all its liabilities. The balance of these assets and liabilities is then shown as being attributable to the various reserves of the authority.

For local authorities balance sheet presentation is split between the usable reserves and unusable reserves. Usable reserves are those which the authority can utilise to support future service provision. Unusable reserves cannot be used to support services and include gains and losses where amounts can only become available to support services if the assets are sold. These gains and losses are referred to as unrealised.

## Balance sheet (extract)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves represents those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Balance Sheet	Notes	31 March 20X1	
			£000
Property, plant and equipment	12	628,924	The authority's property portfolio
Highways Network Asset	13	1,028,700	The Highways Network Asset (not applicable to district councils). This will be the largest asset balance in a local highways authority balance sheet
Heritage assets	14	3,379	
Investment property	15	4,020	
Intangible assets	16	709	
Long-term investments	17	948	
Long-term debtors	17	3,798	Long term assets ie those expected to provide benefits to the authority beyond 12 months
<b>Long-term assets</b>		<b>1,670,478</b>	
Short-term investments	17	24,060	
Assets held for sale	22	1,409	Current assets ie those anticipated to be consumed in 12 months – the normal operating cycle for the authority
Inventories	18	1,769	
Short-term debtors	20	15,351	
<b>Current assets</b>		<b>42,589</b>	Reconciles to the cash and cash equivalents balance in the cash flow statement
Bank overdraft		(13,767)	
Short-term borrowing	17	(9,500)	
Short-term creditors	23	(21,960)	Current liabilities ie those liabilities anticipated to be settled within 12 months
<b>Current liabilities</b>		<b>(45,227)</b>	
Provisions	24	(4,297)	
Long-term borrowing	17	(89,733)	
Other long-term liabilities	17	(155,327)	Long-term liabilities ie those liabilities that are anticipated to be settled beyond 12 months
<b>Long-term liabilities</b>		<b>(249,357)</b>	
<b>Net assets</b>		<b>1,418,483</b>	Total assets less total liabilities

# \ reserves

Reserves – including the General Fund and (where relevant) the Housing Revenue Account – are an indication of the resources available to an authority to deliver services at the balance sheet date. The key messages that members will be looking for in terms of reserves – especially the General Fund and the HRA – are how the balances have changed over the year, whether the balances are still adequate, and what the balances mean in terms of future budgets and services.

Information on the level of reserves can be found in the balance sheet and related notes, and in the Movement in Reserves Statement (and related notes). This latter statement will be more useful in explaining the changes that have taken place during the year.

	Notes	31 March 20X1 £'000
Usable reserves	24	36,568
Unusable Reserves	25	1,381,915
		<u>1,418,483</u>

The minimum requirement in presenting resources is to include only two lines – usable reserves (such as General Fund) and unusable reserves (such as the Revaluation Reserve and the Capital Adjustment Account).

If there are some reserves you do want to show on the balance sheet, that's fine, as long as these totals are shown.

While the balance sheet aims to show those reserves over which members have control, don't forget that some of the unusable reserves will become a charge against the revenue account – or usable reserves – over time. And in some cases, such as the Unequal Pay Back Pay Account, this might be within a year or two.

As indicated above, not all reserves can be used to deliver services, and the Code reflects this by reporting reserves in two groups – 'usable' and 'unusable' reserves. Usable reserves such as the General Fund are those where members will be involved in deciding on the levels maintained, and their use. Unusable reserves such as the Revaluation Reserve and the Capital Adjustment Account are not subject to such member influence.

# cash flows

The final statement required by the Code is the cash flow statement.<sup>1</sup> The cash flow statement shows changes in cash flows of the authority during the financial year. It shows net cash flows split into three activities: operating, investing and financing. The cash flow statement shows the resulting movement in the authority's cash and cash equivalents. Cash and cash equivalents include short term investments that are readily convertible and which are subject to only insignificant risk of changes in value.

## Cash Flow Statement (extract)

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

	20X0/X1 £000	
Net (surplus) or deficit on the provision of services	14,588	Surplus or deficit taken from the Comprehensive Income and Expenditure Statement
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(36,267)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	11,523	Three groups of transactions: <ul style="list-style-type: none"> <li>■ Operating</li> <li>■ Investing</li> <li>■ Financing</li> </ul>
Net cash flows from Operating Activities (Note 26)	(10,156)	
Investing Activities (Note 27)	(24,585)	
Financing Activities (Note 28)	35,140	
Net increase or decrease in cash and cash equivalents	399	
Cash and cash equivalents at the beginning of the reporting period	(14,166)	
<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<b>(13,767)</b>	Cash and cash equivalents figure in the balance sheet

<sup>1</sup> Note the format of the cash flow statement shown is produced under the indirect method.

# a checklist of questions to ask about a local authority's financial statements

To assist with the understanding of local authority financial statements a checklist about the core financial statements and the Expenditure and Funding Analysis has been included below.

<b>Checklist</b>	
<b>Expenditure and Funding Analysis</b>	
1	Have any significant differences between budget reports and net expenditure chargeable to General Fund and Housing Revenue Account balances been explained?
2	Are the major statutory adjustments clearly explained and easily understood?
<b>Comprehensive Income and Expenditure Statement</b>	
3	Is the purpose of the Comprehensive Income and Expenditure Statement clear (ie does it show actual financial performance under accounting standards before fiscal adjustments)?
4	Do the service net expenditure figures clearly demonstrate the financial performance of the services on the face of the Comprehensive Income and Expenditure Statement during the year?
5	Are the material items of income and expenditure in the Comprehensive Income and Expenditure Statement presented separately on the face of the Statement or explained in the notes?
6	Do the notes to the Comprehensive Income and Expenditure Statement provide easily understandable information relating to the Statement (or lines within the Statement)?
7	Are there any unexplained significant variances between current and previous year information?
<b>Movement in Reserves Statement</b>	
8	Can the major movements in net worth that occur within the Movement in Reserves Statement be easily identified? Are these explained within the financial statements or Narrative Report?
9	Do the opening balances in the Movement in Reserves Statement match with the closing balances of the preceding year? Are any adjustments to opening balances explained on the face of the Statement and/or in the notes?
10	Is there a clear explanation of the statutory adjustments in the adjustments from income and expenditure charged under the accounting basis to the funding basis line in the Movement in Reserves Statement? (Note this may be linked with the Expenditure and Funding Analysis.)
11	Do the entries on the statutory adjustment line net to nil?
12	Do the related notes on reserves clearly explain the line or columnar items not explained in the Statement?

## Checklist

13	Does the Total Comprehensive Income and Expenditure line in the Movement in Reserves Statement agree with the information in the Comprehensive Income and Expenditure Statement?
14	How have the balances of usable reserves moved during the year? Are these balances sufficient to support an authority's financial plans in the immediate future and over the medium term?
<b>Balance Sheet</b>	
15	Does the property, plant and equipment information tell the story of the authority's property portfolio during the year (including the major movements in that portfolio ie major disposals and acquisitions)? Do these balances reflect the authority's asset management strategy?  (Note the same question can be asked for local authorities with substantial portfolios of investment properties.)
16	For highways authorities – do the movements in the Highways Network Asset represent the transport management/investment decisions of the authority?
17	Has there been any substantial movement in the pension asset or liability? If yes, has the reason for such a movement been explained and the subsequent consequences described in the financial statements or the Narrative Report?
18	Have there been any new provisions or significant movements in provisions in the year? If yes, have the reasons for making these provisions been set out in the financial statements or any material movements been explained?
19	Have there been any significant movements in the authority's borrowings during the year? Are these movements reflected in your council's borrowing strategy and what impact will this have on the prudential indicators or future investment plans?
20	Are there any significant movements in an authority's investment portfolio? Do these agree with the plans in the authority's treasury management strategies and statutory investment plans?
21	Are there any other significant movements in balances in the balance sheet that are not clearly explained?
22	Do the balance sheet reserves agree with the totals in the Movement in Reserves Statement?
<b>Cash Flow Statement</b>	
23	Do the cash balances in the cash flow statement agree with the relevant balances in the balance sheet?
24	Are the council's cash balances reflected adequately in the council's treasury management strategies?



# reminders and questions raised on the IFRS-based code

## **IFRS – what is it?**

International Financial Reporting Standards (IFRSs) are a suite of accounting standards used across the world. The Code of Practice on Local Authority Accounting is based on IFRS standards as adapted or interpreted for local authority circumstances.

## **The pension deficit is meaningless – why do we have to show it?**

The deficit doesn't have to be funded from this year's budget, but it's still a true cost estimated by actuaries – it represents the amount that will need to be found from future budgets to pay for pension entitlements already incurred in delivering services. So it's a real call on future funding arising from past activity. Not showing this would hide the liability that the authority has incurred.

This also applies to other reserves. Like the Pension Reserve, the Capital Adjustment Account, the Unequal Pay Back Pay Account and similar reserves all do one thing: they hold expenditure that the authority has incurred but not yet financed. Think of them as being a bit like a credit card balance – these amounts will have to be funded in future, either from taxation or from usable reserves.

Concerns have been expressed that all these reserves make the balance sheet incomprehensible. But all that needs to be shown on the balance sheet itself are 'usable reserves' and 'unusable reserves' – the details can all go in a note. This will help to declutter the balance sheet.

## **The financial statements do not clearly demonstrate traditional measures of local authority performance ie General Fund and HRA balances**

The IFRS-based Code sets out that local authority financial statements are intended to be used for assessing the stewardship of local authority resources and for making economic decisions. Thus the information is intended for two purposes. The Comprehensive Income and Expenditure Statement presents information on the real economic cost of providing services in the year and it does not show the movement in General Fund and HRA balances. This reconciliation is provided in the Movement in Reserves Statement, whose bottom line shows the General Fund and HRA resources available at year end. CIPFA has reviewed options for making this even clearer. The new Expenditure and Funding Analysis brings together both the accounting measures of performance and the performance against General Fund for council tax setting purposes.

## **The accounts are too long!**

Yes, the accounts can be long, but local authorities have a complex story to tell. But notes only need to be produced if they are material – leaving out notes that aren't material or required by legislation is a good start. CIPFA/LASAAC as standard setter is continuously challenging the need to introduce disclosures and reporting requirements for local government.

## **What changes were made to the 2016/17 Code?**

CIPFA and CIPFA/LASAAC consulted widely in preparation for these changes, particularly the Telling the Story consultation in the summer of 2015. CIPFA also engaged a working group to consider a wide range of proposals for change. Following feedback from consultations from local authority accounts preparers and the work of the Working Group, the Telling the Story consultation set out proposals for change that CIPFA/LASAAC considers will reconnect the financial statements of local authorities with the way those authorities are both organised and funded.

The changes to the 2016/17 Code therefore have two main strands:

- to allow local authorities to report on the same basis as they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement
- to introduce a new Expenditure and Funding Analysis which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the Comprehensive Income and Expenditure Statement in a way that is accessible to the lay reader. This analysis is supported by a streamlined Movement in Reserves Statement and replaces the current segmental reporting note.

The changes to the Code will for the first time allow local authorities to bring together the funding framework and the accounting framework in one analysis.

# further reading

*Financial Statements: A Good Practice Guide for Local Authorities* (CIPFA, 2013)

*Clear out the Clutter* (Public Finance, April 2014)

*Simplified Accounts: Small Isn't Always Beautiful* (Public Finance, September 2015)

*Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA, issued annually)

*Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners*  
(CIPFA, issued annually)



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## Accounting policies used when formulating the accounts

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The accounts are prepared in accordance with proper accounting practices as contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) and the Service Reporting Code of Practice 2016/17 (SERCOP), supported by International Financial Reporting Standards (IFRS).

### 1. Accounting policies issued but not yet adopted

The main change introduced by the Code, for which a timescale for implementation has not yet been confirmed, relates to the adoption of the CIPFA Code of Practice on Transport Infrastructure Assets. This will require the Council to separately disclose its Highways Network Asset and measure it at Depreciated Replacement Cost (DRC), as opposed to Depreciated Historic Cost (DHC).

The change will have a significant and material impact upon the valuation of Highway Network Assets included in the Statement of Accounts. Had this policy been adopted for the 2016/17 Statement of Accounts, it would have increased the value of the assets shown in the accounts (excluding land) by circa £2 billion along with an increase in the depreciation charge. However these changes will have no impact on Council tax or rent as depreciation charges are required to be reversed out of the accounts. Accordingly, a pragmatic approach will be taken when considering inclusion in the accounts.

### 2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not when the cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- expenses in relation to services received are recorded as expenditure when the services are received rather than when the payments are made
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance is written down and a charge made to revenue for the income that might not be collected.

### 3. Cash and Cash Equivalents

Cash is represented by cash in hand, bank balances of cheque book schools and the net balance on all of the Council's other accounts, including petty cash accounts. Cash equivalents include Call Accounts and Money Market Funds that are repayable without penalty on notice of not more than 24 hours. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

#### 4. Contingent assets and liabilities

These are potential benefits or obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Contingent assets and liabilities are not recognised in the accounting statements but are disclosed in a note to the accounts.

#### 5. Deferred Liabilities

Where the Authority receives income from developers and other organisations in respect of the future maintenance of assets, the amounts are held in the Balance Sheet as deferred liabilities until such time that the maintenance of the asset takes place.

Obligations under finance leases are treated as deferred liabilities and measured on the basis disclosed in accounting policy 19.

#### 6. Disposals and Capital Receipts

When assets are disposed of or decommissioned, proceeds from disposals are credited and the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement in order to calculate a gain or loss on disposal.

Council Fund receipts from disposals greater than £10,000 are treated as capital receipts. Capital receipts are appropriated to the Capital Receipts Reserve from the Council Fund Balance in the Movement in Reserves Statement and can only be used to pay for capital expenditure or to reduce the Council's underlying need to borrow (the Capital Financing Requirement (CFR)). Where sums are due but not yet received they are treated as deferred capital receipts.

The written-off value of disposals is not a charge against council tax or rent, as amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

#### 7. Employee Benefits

##### Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees, and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that there is no impact upon Council Tax.

##### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement. Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year. An accrual is made for the strain upon the Pension Fund and is included in the Balance Sheet as a long-term creditor, to the extent that it is repayable to the Pension Fund over 5 years. In the Movement in Reserves Statement, appropriations are made to or from the Pensions Reserve to neutralise the impact of this accrual on Council Tax.

### Post-Employment Benefits

Employees of the County Council of the City and County of Cardiff are members of two separate pension schemes:

- the Teachers' Pension Scheme, administered by the Teachers Pensions Agency
- the Local Government Pension Scheme, administered by the County Council of the City and County of Cardiff.

The Council accounts for pension costs in the main accounting statements in accordance with International Accounting Standard 19 (IAS19). IAS19 requires recognition in the employer's accounts of the fact that although retirement benefits are not actually payable until an employee retires, the Authority's commitment to make those payments arises at the time that employees earn their future entitlements. The treatment of pension costs in the accounts depends on whether they are in respect of a defined benefit scheme or a defined contribution scheme.

### Defined Benefit Schemes

The Cardiff and Vale of Glamorgan Local Government Pension Scheme is a defined benefit scheme. The liabilities for the Cardiff and Vale of Glamorgan Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis. The basis of the calculation is the projected unit method i.e. as assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections earnings for current employees.

Liabilities are discounted to their value at current prices, determined in reference to market yields of high quality corporate bonds.

The assets of Cardiff and Vale of Glamorgan Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The change in the net pensions liability is analysed in the following components:

- the current service cost has been based on the assumptions at the start of the year and the estimated pensionable pay over that year
- past service costs cover items such as the provision of enhanced or discretionary benefits on retirement. The costs included in the accounts for 2016/17 are the full costs relating to early retirements granted in the year, which have been calculated as the special contributions payable into the fund, adjusted for the financial assumptions used under IAS19, to represent the approximate cost of the increase in benefits granted to members under IAS19.
- gains and losses on settlements and curtailments
- the net interest on the net defined benefit liability/asset is the interest on the present value of liabilities/assets and interest on the net changes in those liabilities/assets over the period, calculated using the discount rate at the start of the period

Re-measurements comprising the following, are charged to the Pensions Reserve as Other Income and Expenditure:

- the return on the plan assets – excluding amounts included in net interest on the defined benefit liability
- actuarial gains/losses have been calculated by updating values from the last actuarial valuation to reflect conditions at the balance sheet date

Under IAS19, the cost charged to net cost of services is the cost of pension entitlements earned in the year rather than the cost of contributions paid into the Fund. This cost is known as the current service cost and is determined by the actuary. The net pension liability, which represents the Council's attributable share of the Pension Fund's assets and liabilities, is shown in the Balance Sheet.

#### **Defined Contribution Schemes**

The Teachers' Pension Scheme is a defined benefit scheme but as the Authority cannot identify its share of the underlying assets and liabilities in the scheme on a consistent basis; this scheme is to be accounted for as if it were a defined contribution scheme under IAS19.

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### **8. Events After the Balance Sheet Date**

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – The Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### **9. Exceptional Items**

Exceptional items are material in terms of the Authority's overall expenditure and not expected to recur frequently or regularly. When they occur, they are included in the Comprehensive Income and Expenditure Statement as a separate line, if that degree of prominence is necessary to give a fair presentation of the accounts.

#### **10. Financial Assets**

Financial assets are classified into three types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- investments at fair value – assets that have a quoted market price and/or do not have fixed or determinable payments
- fair value through profit and loss – assets that are held for trading.

Where a fair value price that would be received to sell an asset, is estimated and disclosed, either in the accounts or notes to them, inputs to the valuation techniques used to determine fair value are attributed to either of the following in the fair value hierarchy:-

Level 1 – quoted prices in active markets for identical assets that the authority can access at the measurement date

Level 2 – inputs other than quoted prices that are observable for the asset

Level 3 – unobservable inputs for the asset



**Loans and Receivables:** Initially measured at fair value and carried at their amortised cost. Where assets are identified as impaired, because of a likelihood arising from a past event, that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. Interest that is due but unpaid at the end of the year is recognised in the Balance Sheet as a current asset.

**Investments at Fair Value:** available-for-sale assets are initially measured and carried at fair value. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses). Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred - these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event, that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised.

Where the asset has fixed or determinable payments (e.g. interest), income is credited to the Comprehensive Income and Expenditure Statement for interest receivable based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments (e.g. dividends), income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

**Investments at Fair Value through Profit and loss:** These are initially measured and carried at fair value. Any movements in fair value, gains and losses that arise on de-recognition of the asset, and investment income is credited/debited to the Comprehensive Income and Expenditure Statement.

#### 11. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. Interest that is due but is unpaid at the end of the year is recognised in the Balance Sheet as a current liability.

Where a fair value price which is paid to transfer a liability, is estimated and disclosed, either in the accounts or notes to them, inputs to the valuation techniques used to determine fair value are attributed to either of the following in the fair value hierarchy:-

Level 1 – quoted prices in active markets for identical liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices that are observable for the liability

Level 3 – unobservable inputs for the liability

Premiums or Discounts incurred on the extinguishment of debt are charged immediately to the Comprehensive Income and Expenditure Statement, with regulation being used to mitigate the financial impact on the Council taxpayer by an adjustment from the Financial Instruments Adjustment Account. As such:

- premiums are amortised to the Movement in Reserves Statement over the life of the replaced loan, replacement borrowing or other prudent period
- discounts are amortised to the Movement in Reserves Statement over the life of the replaced loan or 10 years (whichever is the shorter period).

Where restructuring of the loan portfolio involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and amortised to the Movement in Reserves Statement in accordance with statutory regulation.

Transaction costs, such as brokers' fees and commission in relation to managing the Authority's Financial Instruments, which are not considered material, are charged immediately to the Comprehensive Income and Expenditure Statement.

### 12. Grants - Revenue

Grants and other contributions relating to revenue expenditure are accounted for on an accruals basis and recognised when:

- the Council has complied with the conditions for their receipt.
- there is reasonable assurance that the grant or contribution will be received.

The accounting treatment will vary depending on whether it is deemed that conditions inherent in the agreement have been complied with. Monies advanced as grants, for which conditions have not yet been satisfied, are carried in the Balance Sheet as Revenue Grants Receipts in Advance. When conditions have been satisfied, the grant or contribution is credited to the relevant service line (specific revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-specific revenue grants) in the Comprehensive Income and Expenditure Statement. Where there is no reasonable assurance that the conditions will be met, any cash received will not be recognised as a receipt of grant monies but as a repayment due to the awarding body. The cash received is held on the Balance Sheet as a liability.

Where the conditions of a revenue grant or contribution have been complied with but it is yet to be used to fund expenditure for the purpose stipulated in the grant agreement, it is set aside in an Earmarked Reserve.

### 13. Grants and Contributions – Capital

Grants and contributions that are applied in the year to fund capital schemes that are Revenue Expenditure Funded by Capital under Statute (REFCUS) are treated as revenue income and credited to the Comprehensive Income and Expenditure Statement to the relevant service line.

Capital Grants and Contributions applied in paying for other capital works are credited to the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement. Where a specific capital grant or contribution has been received but remains unapplied, this is deemed to represent a condition in that the unused element could be returned to the funder.

Capital grants and contributions are identified separately on the Balance Sheet. Contributions such as those arising from Town and Country Planning Act 1990 obligations usually come with conditions that the funding can be clawed back by the provider if not spent within a certain period of time or if not spent on a specific project. Such items are treated as Capital Grants Receipts in Advance.

The unapplied element of such grants or contributions would not be taken to the Comprehensive Income and Expenditure Statement when received and is treated as a creditor. Where a specific capital grant or contribution is applied, but is not yet received, this is taken to the Comprehensive Income and Expenditure Statement when applied and is treated as a debtor.

Non-specific grants such as the General Capital Grant or Major Repair Allowance are recognised immediately in the Comprehensive Income and Expenditure Statement. If such a non-specific grant remains unapplied at the end of the year, this element is held as Capital Grants unapplied.

#### **14. Intangible Non-Current Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council is capitalised. In the case of computer software and licences, this will be capitalised where it relates to the enhancement or development of systems, expenditure on which is deemed to generate long-term economic benefits to the Authority in the form of savings and improvements in service delivery. Intangible assets are included in the Balance Sheet at historic cost net of amortisation and are reviewed for impairment and re-valued only where they have a readily ascertainable market value. The assets are amortised to the relevant service line over the economic life of the investment to reflect the pattern of consumption of benefits.

Any amortisation, impairment, disposal gains or losses are not permitted to have an effect upon the Council Fund Balance and are reversed in the Movement in Reserves Statement.

#### **15. Interests in Companies and Other Entities**

The Council has interests in companies and other entities. Subject to the level of materiality and exposure to risk, these are consolidated to produce Group Accounts. In the Council's own single entity accounts, the interests in such companies are recorded as financial assets in the Balance Sheet.

#### **16. Inventories**

Inventories are measured and held at the lower of cost or net realisable value. When such inventories are sold, exchanged or distributed, the carrying amount is recognised as an expense in the Comprehensive Income and Expenditure Statement.

#### **17. Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured at fair value, based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The valuations are undertaken by officers of the Council's Strategic Estates department, who fall within the competence demands set out by the Royal Institution of Chartered Surveyors and who are valuers registered in accordance with the RICS Valuer Registration Scheme.

Fair Value is deemed to be the market value assessed for each asset reflecting highest and best use, echoing market conditions at the balance sheet date. The valuation method is term & reversion, with passing rents capitalised at appropriate yields and estimated reversionary rental values based on prevailing rents for similar properties. Local comparable rental evidence and market yields have been utilised for comparison purposes.

Gains and losses on revaluation and disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Rentals received in relation to investment properties are credited to the relevant service line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

### 18. Joint Committees

The relevant proportion of the transactions and balances of Joint Committees are included within the Council's Comprehensive Income and Expenditure Statement and Balance Sheet. These reflect the transactions and balances as per the draft accounts prepared for each Joint Committee.

### 19. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards, incidental to ownership, of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Leases are reviewed at inception and classed as finance or operating by reviewing arrangements such as:

- transfer of ownership at the end of lease contract
- option to purchase asset at price lower than fair value
- lease term is for major part of economic life of asset
- present value of minimum lease payments amounts to at least substantially all of the fair value of leased asset
- leased assets are specialist and only lessee can use them without major modifications.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### The Authority as Lessee

##### Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at fair value measured at the lease's inception. The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

For plant and equipment the Authority has set a de-minimis level of £75,000 for leases to be recognised as finance leases.

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are, therefore, substituted by a revenue contribution in the Council Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

##### Operating Leases

Payments for operating leases are charged to the relevant service line on an accruals basis. The charges are made evenly throughout the period of the lease.

### **The Authority as Lessor Finance Leases**

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement, as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the Council Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is transferred out of the Council Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is transferred out of the Council Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

### **Operating Leases**

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

### **20. Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered, principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. Annual reviews are undertaken as to whether assets still meet the criteria Assets Held for Sale, where this is not the case they are reclassified and revalued in accordance with the appropriate class.

### **21. Overhead and Support Services Costs**

The costs of overheads and support services are allocated to directorates in accordance with the authority's arrangements for accountability and financial performance.

## 22. Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected by amending opening balances and comparative amounts for the prior period.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or performance. Any change is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

## 23. Property, Plant, Equipment, Community and Heritage Assets

These assets are those that have physical substance used in the production or supply of goods or services, those intended to be held indefinitely and those for the promotion of culture and knowledge and expected to be used during more than one financial year.

### Recognition:

Expenditure on the acquisition, creation or enhancement of such assets is capitalised on an accruals basis. All expenditure incurred on existing assets is assumed to result in enhancement of the asset and will be shown in the accounts as an addition to the asset. This, together with a 3-year rolling programme of revaluations, ensures that the values of land and buildings carried in the accounts are not materially misstated and ensures a sustainable cost/benefit approach to valuation and accounting for capital expenditure on land and buildings in the year.

Expenditure that maintains but does not add to an asset's potential to deliver benefits or service potential (i.e. repairs and maintenance) is charged to revenue as it is incurred.

The Council has a de-minimis policy of £1,000 with regards to the capitalisation of expenditure in connection with Council dwellings.

The Council recognises heritage assets where it may have incurred separately identifiable expenditure on their acquisition, or preservation at historic cost, or where it has information on the value of the asset.

The Council recognises Voluntary Aided, Voluntary Controlled and Foundation Schools on the Authority's Balance Sheet if it owns the land and can accordingly direct the use of the assets.

### Measurement:

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the specific asset into working condition for its intended use. The Council does not capitalise borrowing costs.

These assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure Assets, Community Assets and Assets under Construction – depreciated historical cost.
- The unique nature of Heritage Assets makes reliable valuation complex. These difficulties are recognised by the Code and so many individual assets are not recorded in the accounts, but additional narrative disclosures are made about the nature and scale of such assets. Heritage assets are included at historic cost if included in the accounts and only measured at fair value where the benefits of doing so outweigh the costs.
- Council Dwellings – Existing Use Value for Social Housing (EUV-SH) This is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, on the assumption that the property will continue to be let and used



for social housing. The Council has used a discount factor of 40% to adjust beacon values to existing use value.

- Surplus Assets are valued at Fair Value, based on highest and best use.

All other assets are measured at current value. Where there is an active market for assets, Existing Use Value is used as the basis for determining current value. Where there is no market-based evidence, because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. For schools land and buildings, a detailed approach to DRC, known as Modern Equivalent Asset (MEA), is used, due to the much specialised nature of these assets. Non-property assets, such as plant and equipment, have short useful lives or low values (or both), and, therefore, depreciated historical cost basis is used as a proxy for current value.

#### **Revaluation:**

Asset revaluations take place with an effective date of 1 April of the financial year and are undertaken by professional valuers.

The Council must balance the requirement to ensure carrying amounts are not materially different from their fair or current value at the year-end, with the time, costs and resources involved in providing valuation services for accountancy purposes. It does this by:-

- undertaking an annual impairment review of property with the Council's in-house valuation team to identify significant changes
- using the experience and local knowledge of the in-house valuation team to provide valuation services to ensure financial services are made aware of all property issues affecting the Council
- having an agreed rolling programme of revaluation which is shorter than the minimum 5 year cycle required by the Code in order to ensure there is sufficient, regular and consistent coverage of all classes of assets.

Revaluations of the Council's property assets are undertaken on a 3 yearly rolling programme basis, or where there is a major refurbishment of an asset, a new valuation will be sought in the year of completion and a revision is made to the useful life.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service line.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only; the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

#### **Charges to Revenue for Non-Current Assets:**

Service lines are debited with the following amounts to record the cost of holding assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses on assets used by the service, where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Council is not required to raise Council Tax or rent to fund depreciation, impairment losses or amortisations. However, it is required to make a prudent provision from revenue towards the reduction in its overall requirement to borrow. Depreciation, impairment losses and amortisations are, therefore, replaced by this prudent provision in the Council Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**Impairment and Downward Revaluation:**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired in value, either due to a significant reduction in service potential, e.g. service delivery from that asset ceasing, or significant permanent market value reductions (downward revaluation). Where either type of loss is identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

**Depreciation:**

Depreciation is provided for on all Property, Plant and Equipment assets by an allocation of their depreciable amounts over their estimated useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land, heritage and community assets), as well as assets that are not yet available for use (i.e. assets under construction). For assets depreciated by the Council, it charges a full year's depreciation on capital expenditure incurred in the year.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets, and the depreciation that would have been chargeable based on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation is calculated on the following range of useful lives:

Asset category	Initial Useful Life in years
Intangible Assets	3-5
Council Dwellings	50
Land	n/a
Buildings	3-125
Vehicles, Plant, Furniture and Equipment	5-15
Infrastructure	7-120
Community Assets, Investment Properties, Heritage Assets, Surplus Assets and Assets Held for Sale	n/a

\* Included within Buildings is City Hall with an initial useful life of 125 years

\*\* Included within Infrastructure is the Cardiff Bay Barrage, which is being depreciated over the design life of 120 years

**Component Accounting:**

Where a single asset may have a number of different components, each having a different useful life, three factors are taken into account to determine whether a separate valuation of components is to be recognised in the accounts in order to provide an accurate figure for depreciation. These factors are:

- materiality with regards to the Council's financial statements. Componentisation will only be considered for individual non land assets that have a net book value of more than £1.5 million at the end of the financial year
- significance of component. For individual assets meeting the above threshold, where services within a building (Boilers / Heating / Lighting / Ventilation etc.), or items of



fixed equipment (Kitchens / Cupboards) is a material component of the cost of that asset (> 30%), then those services/equipment will be valued separately on a component basis

- difference in rate or method of depreciation compared to the overall asset. Only those elements that normally depreciate at a significantly different rate from the non-land element as a whole, or that require a different method of depreciation will be identified for componentisation.

Assets that do not meet the tests above can be disregarded for componentisation on the basis that any adjustment to depreciation charges would not result in a material misstatement in the accounts.

Where assets are material and to be reviewed for significant components, it is recommended that the minimum level of apportionment for the non-land element of assets is:

- plant, equipment and engineering services.
- structure.

Professional judgement will be used in establishing materiality levels, the significance of components, useful lives, depreciation methods and apportioning asset values over recognised components.

#### **24. Provisions**

Provisions are made when, as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount but the timing of the settlement is uncertain.

Provisions are charged as an expense to the appropriate service line in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision, which is held on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and provisions that are no longer required are credited back to the relevant service line.

#### **25. Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions, but that does not result in the creation of a non-current asset, has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

#### **26. Reserves**

The Council sets aside amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. The reserve is then appropriated back into the Council Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure. Certain reserves are maintained to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Authority.

#### **27. Value Added Tax**

Value Added Tax payable is included as an expense only to the extent that is not recoverable from HMRC. VAT receivable is excluded from income.

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## Estimation Uncertainty and Assumptions

### Assumptions made about the future and other sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Significant disclosures are already made in the accounts in relation to the assumptions about financial instruments. However the other items in the Authority's Balance Sheet for which, by their nature, there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Valuation of assets such as investments, land, property, plant, equipment and Investment in companies	Valuation involves assessment of a number of variables such as market conditions, useful life, cost of reconstruction, assessment of condition, use of a discount factor of 40% to adjust vacant possession values to existing use value for social housing etc. These assumptions are made by professional qualified in-house or external valuation providers or use of industry data in order to determine figures for the Statement of accounts and property transactions. Valuations are carried out within the Council by a qualified Chartered Surveyor, in accordance with the Practice Statements and Guidance notes set out in the Royal Institution of Chartered Surveyors (RICS) Valuation Standards (The Red Book) and any other relevant guidance. Where it is difficult to provide valuations e.g. valuations of the Council's shareholding in Cardiff City Transport Services Ltd, a guide such as multipliers of EBITDA are used.	Where required revaluations are carried out as part of a rolling programme. Any charges to services for non-current assets is required to be reversed out in the accounts, so this will not have an impact on Council Tax or rents. Any transactions involving disposals may be valued on a different basis and would be the subject of an open market disposal, with any revisions in value reflected in the Balance Sheet. Any change in the fair value of Cardiff City Transport Services Ltd as a result of the use of multipliers can be significantly variable, however has no impact on the level of Council Tax as changes are reflected by a corresponding amendment in the available for sale reserve. Changes in future accounting practice could mean changes in valuation basis of non-current assets and in which assets are required to be included on the Councils balance sheet and which are not. Any such changes will have no impact on the level of Council Tax or rent.
Provisions	The Authority makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made. In most cases these are subject to legal claims such as Insurance claims and other items as disclosed in the provisions note. Provisions relating to landfill sites, due to their significant value and long life are subject to a high level of estimation of future liabilities; this is detailed further in the provisions note.	The provisions are based on information known at the Balance Sheet date and best estimates and professional internal and external advice is used to determine value and number of provisions. The outcomes of such issues will have an impact on the Outturn of the Council in future years, however due to the uncertain nature of these events, are difficult to quantify.
Provisions in relation to arrears	At 31 March 2017, the Authority had amounts it was owed for items such as sundry debtors, Council Tax, Non	Improvements in collection will improve future reported Outturn position, however where customers are finding it

## Estimation Uncertainty and Assumptions

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
	Domestic Rates (NDR) and rents. After taking into account trends in past collection experience and other relevant changes that may impact on collectability such as the economic climate, a level of impairment is assumed which may, or may not, be deemed to be sufficient.	difficult to pay for Council services, this will require increases in the level of provisions currently set aside.
Debtors and Creditors	The level of debtors and creditors at the Balance Sheet date may need to be manually determined or estimated.	There is a risk of under/overstatement which would impact on current and future reported position of revenue Outturn or capital expenditure.
Employee leave benefits	The level of leave, flexi time and time in lieu owed to staff is based on a sample of staff and extrapolated to arrive at a figure for all employees. In calculating the accrual for school based teaching staff, the Council assumes that all are continuing in the profession after the date of the Balance Sheet.	The level of creditor accrual may be under or over estimated. This will have no impact on the reported Outturn position as statute allows the reversal of this figure to a reserve.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions are difficult to measure as they interact in different ways.

**AUDIT COMMITTEE: 14 March 2017**

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**DRAFT AUDIT COMMITTEE ANNUAL REPORT 2016/17**

**REPORT OF CORPORATE DIRECTOR RESOURCES      AGENDA ITEM: 5.1**

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1. The Audit Committee's Terms of Reference requires Members to report to Council on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks.
2. To consider the "draft" Audit Committee's Annual Report for 2016/17.

**Background**

3. The Council's Constitution requires that all Committees report annually to Council on their activities over the past year.
4. This Committee meets five times every year and receives a wide range of information to meet the responsibilities, as set out in the Committee's Terms of Reference. The Audit Committee Annual Report is prepared based on the evidence presented to the Committee throughout the year. It allows Committee Members the opportunity to provide their views on the key messages considered appropriate to report.
5. Each year the final report is agreed at the June meeting of Committee and the Chair then attends Council to present the report.

**Issues**

6. This draft Audit Committee Annual Report has been prepared following a review of meeting agendas and minutes for 2016/17. The Chair and Deputy Chair have had input in the report to date, which is now presented to Audit Committee for discussion, comment and any required amendment.
7. The report reflects upon and includes the results of the Audit Committee Self-Assessment, completed in September 2016. This captures Committee achievements and areas for focus, from which an action plan has been developed and is also included.
8. It is now the opportunity for members of the Committee to consider the draft Audit Committee's Annual Report 2016/17 and ensure the report captures their views and reflection of performance in the municipal year.

**Legal Implications**

9. There are no legal implications arising directly from the contents of this report.

10. There are no direct financial implications arising from this report.

**Recommendation**

11. Members of the Committee consider and contribute to the draft Audit Committee's Annual Report 2016/17.

**CHRISTINE SALTER  
CORPORATE DIRECTOR RESOURCES**

The following Appendices are attached:

**Appendix A** - Draft Audit Committee Annual Report.

# **Audit Committee Annual Report 2016/17**



**The City of Cardiff Council**

DRAFT

# The Ten General Principles of Public Life

<p><b>Selflessness</b> Members should serve only the public interest and should never improperly confer an advantage or disadvantage on any person.</p>	<p><b>Personal Judgement</b> Members may take account of the views of others, including their political groups, but should reach their own conclusions on the issues before them and act in accordance with those conclusions.</p>
<p><b>Honesty and Integrity</b> Members should not place themselves in situations where their honesty and integrity may be questioned, should not behave improperly, and should on all occasions avoid the appearance of such behaviour.</p>	<p><b>Respect for Others</b> Members should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers and its other employees.</p>
<p><b>Objectivity</b> Members should make decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefit.</p>	<p><b>Duty to Uphold the Law</b> Members should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in them.</p>
<p><b>Accountability</b> Members should be accountable to the public for their actions and the manner in which they carry out their responsibilities, and should co-operate fully and honestly with any scrutiny appropriate to their particular office.</p>	<p><b>Stewardship</b> Members should do whatever they are able to do to ensure that their authorities use their resources prudently, and in accordance with the law.</p>
<p><b>Openness</b> Members should be as open as possible about their actions and those of their authority, and should be prepared to give reasons for those actions.</p>	<p><b>Leadership</b> Members should promote and support these principles by leadership, and by example, and should act in a way that secures or preserves public confidence.</p>



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## **1. Foreword by Ian Arundale, Chairperson of the Committee**

I am pleased to present this report which provides an overview of the Audit Committee's work in the municipal year 2016/17. Since taking the role of Chairperson in June 2015 I have been well supported by the strong teamwork of the Audit Committee, and I am very grateful to Deputy Chairperson Hugh Thomas for chairing two Audit Committee meetings in 2016/17.

This year has seen some changes in Audit Committee membership. I would like to thank the outgoing Deputy Chairperson Professor Maurice Pendlebury for his many years of dedication and highly valued services to the Audit Committee. We have been fortunate to gain Gavin McArthur and David Price as new independent members from January 2017. We have already felt the benefits of the knowledge, expertise and keen interest of our new members through their contributions to Audit Committee meetings.

I wish to record my thanks to all Elected Members and the Independent Lay Members who have served on the Committee this year. Members from across the political groups have come together in an extremely effective way in our five meetings this year. It is also very encouraging to report well attended meetings, given how busy members are in fulfilling other roles and responsibilities.

Throughout the year Audit Committee has continued to receive highly valued professional support from Accountancy, External Audit (Wales Audit Office), Internal Audit, Risk Management and Treasury Management. Additionally, we have invited officers to attend Committee to respond to concerns raised by Members or identified through various Committee reports, such as those from internal and external audit.

We have reviewed our work programme at each Committee meeting, taking account of changing risks and priorities through the reports and information we receive from Members, Officers, external stakeholders and other Committees of the Council. Our Work Programme has been extremely busy this year with a wide range of matters brought before the Committee.

We held a self-assessment workshop for the Audit Committee in September 2016, where we reviewed our performance against a best practice CIPFA framework. The assessment enabled an honest reflection of our achievements and areas for attention against a robust framework. Some areas for improvement have been identified, which are reported in an action plan appended to this report which includes a review of the Audit Committee Terms of Reference and a formal skills assessment which will commence as we enter 2017/18.

We acknowledge our broad and important role and have reflected on the effectiveness of governance, risk management and control in providing an overall assurance opinion and informing the Council's Annual Governance Statement 2016/17.

The Wales Audit Office has recognised positive improvement steps in the Council's Corporate Assessment Follow On, issued in February 2016. However, I will re-emphasise the sentiments raised in last years' Annual Report, where we expressed how there is still much to do to embed change and improvement within the Council. There is a need for the Council to continue to work hard to fulfil its responsibilities and to ensure robust arrangements are in place for effective governance, risk management and control which are essential to ensure sustained improvements.

The importance of an effective Audit Committee remains critical in looking forward to 2017/18 and beyond, in the context of continued financial pressures, reshaping of services, new models of service delivery and a growing demand for public services.

## 2. The Role of the Audit Committee

The Audit Committee's role is to increase public confidence in the objectivity and fairness of financial and other reporting and provide independent assurance over governance, risk management and control processes.

The Local Government (Wales) Measure 2011 requires a Local Authority to have a Committee to:

- review and scrutinise the authority's financial affairs
- make reports and recommendations in relation to the authority's financial affairs
- review and assess the risk management, internal control and corporate governance arrangements of the authority
- make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements
- oversee the authority's internal and external audit arrangements, and
- review the financial statements prepared by the authority.

The Measure also requires Councils to have Lay Members in their Audit Committees. The Council has determined that the membership of its Audit Committee would be twelve Members (eight Elected Members and four Independent Lay Members), which meets the requirement of the Measure and the proposals in the draft Local Government (Wales) Bill.

The Terms of Reference of the Committee for 2016/17 was as follows:

### Governance, Risk & Control

- To consider the Council's corporate governance arrangements against the good governance framework by way of the process of compiling the Annual Governance Statement.
- To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk and internal control.
- To consider the Council's framework of assurance and ensure that it adequately addresses the risk and priorities of the Council.
- To monitor and scrutinise the effective development and operation of the risk management arrangements within the Council.
- To oversee progress in addressing risk-related issues reported to the Committee, such as the Corporate Risk Register.
- To consider any Anti-Fraud strategies, policies or procedures.

### Internal Audit

- To approve the Internal Audit Strategy comprising the risk-based internal audit plan, containing the internal audit resources (resources include; Audit, Investigations, Risk & Governance and Programme and Project Assurance Teams).
- To approve significant changes to the risk-based internal audit plan and resource requirements.
- To consider reports from the Audit Manager on Internal Audit's performance during the year e.g. progress reports.
- To consider the Audit Manager's Annual Report, including the statement of conformance with the Public Sector Internal Audit Standards 2013 and the results of the Quality Assurance and Improvement Programme that supports the statement. Fundamental to the annual report is

the overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control together with a summary of the work supporting the opinion.

- To receive summaries of specific internal audit reports in accordance with agreed protocols.
- To receive reports on fraud prevention and detection initiatives and updates to any related policies and strategies.
- To receive reports of any significant incidents of fraud or financial impropriety and actions taken to enhance controls where this is considered necessary.

#### External Audit

- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditors.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.

#### Financial Reporting

- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- To seek assurances that the Council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks.

#### Accountability Arrangements

- To report to Council on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks.
- To raise the profile of probity generally within the Council and to report on matters of concern to the individual Cabinet Member, relevant Scrutiny Committee, Cabinet or to Council as necessary and appropriate.
- To work in synergy with the five Scrutiny Committees of the Council and liaise with other Council Committees as and when appropriate to avoid duplication in work programmes.

#### Training & Development

- To attend relevant training session in accordance with the Member Development Programme including specialist training tailored for Members of the Audit Committee e.g. treasury management.

### **3. Our Work in 2016/17**

The work of the Audit Committee can be split into two: the Committee receives regular reports in relation to the standard agenda themes, and also receives ad-hoc / one-off reports based on risk, governance or internal control issues. Each of these aspects is reported on below.

## **4. Standard Items**

### **4.1 Finance**

The Corporate Director Resources (Section 151 Officer) has provided financial updates at every meeting outlining the budget strategy, financial resilience and the Council's overall financial position. This is to provide Committee Members with an overview of the financial standing of the Council. It has provided a regular opportunity to raise questions on the budget and general finance matters during a period of ongoing unprecedented financial pressure.

Achieving the necessary savings in some directorates has proved difficult and this is reflected on later in this report, with budget prioritisation and control being a key observation of the Audit Committee.

The Committee has received and had the opportunity to comment on key finance reports in 2016/17, including:

- Draft Statement of Accounts 2015/16 and Audit Report
- Cardiff & Vale of Glamorgan Pension Fund Statement of Accounts 2015/16 and Audit Report
- Welsh Pool Pension Fund Governance
- Treasury Management reports and updates
- Financial Resilience updates and snapshots
- Draft Statement of Accounts/Annual Governance Statement 2016/17.

The Audit Committee has expressed concern about significant overspends and unrealised income targets in the Social Services Directorate. The Director of Social Services attended Committee in November 2016 to outline the work and strategy to address this issue which is drawn upon in Section 5.3.

### **4.2 Governance and Risk Management**

The Audit Committee has formed a view on the Council's governance, risk management and internal control arrangements taking into account the information presented by the Corporate Director Resources (Section 151 Officer), the Wales Audit Office (WAO), the Audit Manager, Risk Management Team and other officers of the Council.

The Annual Governance Statement (AGS) is an important governance disclosure which the Audit Committee plays a key role in contributing to and challenging. Audit Committee considered the AGS as part of the Statement of Accounts 2015/16 in June 2016 and September 2016.

The Committee has had early involvement in the draft AGS 2016/17, in which the 'Opinion of the Audit Committee' (section 8) will be disclosed.

The Committee has received and had the opportunity to comment on the following governance and risk management disclosures:

- June 2016 – Corporate Risk Register Year-End Position 2015/16;
- November 2016 - Senior Management Assurance Statement Mid-Year Responses 2016/17;
- November 2016 – Corporate Risk Register Mid-Year Position 2016/17;

- January 2017 - Mid-year AGS Action Plan of significant governance issues;
- March 2017 - Draft AGS 2016/17.

Audit Committee has welcomed re-assignment of risk management responsibilities from March 2016 which enable the Internal Audit function to independently review and audit risk management arrangements going forward. This year has also seen the introduction of a corporate risk map which has helped demonstrate how effectively risks are being managed.

The Committee has been informed of the risk management approach being followed, which is aligned to enhancing the council's risk maturity. The suggested inclusion of Cyber Security on the corporate risk register from the Audit Committee is being progressed at the year-end.

Biannual updates on corporate risks and senior management assurance statement responses have been received by Audit Committee. We have welcomed the introduction of the Chief Executive disclosures in 2016/17 and a commitment given to introduce increased validation of disclosure responses.

### **4.3 Treasury Management**

The Treasury Management Strategy approved by the Council, sets out the role Committee Members have to fulfil in this area.

Over the past twelve months the Committee has received reports on the Treasury Management Annual Report, Mid-Year Report 2015/16, Treasury Management Strategy 2016-17 and the Treasury Performance and Practices Reports.

Through the treasury management reports and updates in each Committee meeting, Members have had the opportunity to scrutinise and challenge the approach adopted and decisions taken. This is a complex area, and the Committee believes that it has added value by probing and scrutinising strategies, reports and data provided.

### **4.4 External Audit (Wales Audit Office)**

The Committee places reliance on the work of the Wales Audit Office (WAO) as the Council's external auditors. The Committee has received key documents throughout the year:

- Cardiff Regulatory Programme Letter 2016-17;
- Annual Improvement Report 2015-16;
- Audit of Financial Statement for City of Cardiff Council 2015/16;
- Audit of Financial Statement Report – Cardiff & Vale of Glamorgan Pension Fund 2015/16.

An arrangement is in place for WAO staff to present their work at each Committee meeting and engage with members on key findings, progress and timetable of forthcoming reports.

Additionally Audit Committee Members receive a number of other national and regional reports and studies from WAO in each meeting, with the key findings and messages communicated.



Audit Committee has received assurance from the progress recognised in the Corporate Assessment Follow On if the Council in February 2016 and the Annual Improvement Report 2015/16 presented to members in September 2016.

## **4.5 Internal Audit**

Similar to the External Audit arrangements, the Committee places reliance on the work of the Council's in-house Internal Audit Team. The Audit Committee approved the Internal Audit Charter (as part of the Audit Strategy) and Internal Audit Plan for 2016/17. Throughout the year the Committee gained assurances from considering the following key documents:

- Internal Audit Quarterly Progress Reports
- Internal Audit Executive Summaries
- Internal Audit Annual Report
- Value for money Studies
- Changes to key documents / policies.

Since March 2016 the Head of Finance has acted as Internal Audit Manager and has provided all necessary updates to Audit Committee, supported by two Group Auditors. Through the Audit Manager role there is functional reporting to the Audit Committee and administrative reporting to the Corporate Director Resources. Committee has also been informed that there are reporting safeguards in place to remove the involvement of the Head of Finance in internal audits relating to the finance function.

The Audit Committee has been provided with an overview of all audit reports issued but emphasis has been on those audits where "Limited assurance" audit opinions have been reported and in seeking assurance around improvement, through implementing audit recommendations.

Further detail on some outcomes from the work of the Internal Audit Team is shown later in the section 'One-off Items' and the Committee will receive a full year overview of audit work completed, and key messages, when the Internal Audit Annual Report is presented to the June 2017 meeting of the Audit Committee. This report will provide the Audit Manager's opinion on the Council's overall position in relation to risk, governance and internal control, based on the work undertaken by the Internal Audit team.

## **4.6 Scrutiny Correspondence**

Audit Committee has started to receive summary reports of Scrutiny Correspondence and copies of relevant published scrutiny letters at each Committee meeting commencing September 2016.

This standard agenda item has been introduced as a process to support greater awareness of the work of Scrutiny and facilitate complimentary working. Work is ongoing to ensure the correct balance between awareness, assurance and focus are achieved.

## **5. One-off Items**

The Committee received the following one-off reports / updates in 2016/17.

## **5.1 Education & Lifelong Learning**

The Director of Education attended Audit Committee in September 2016 to report on School Governance and Deficits.

It was reported that 20 schools (12 primary and 8 secondary) carried forward deficit balances into the financial year 2016/17, but each school and governing body had a Medium Term Financial Plan (MTFP) to balance the budget and finance officer support. In September 2016 the Director of Education provided assurance that every school in deficit had achieved a balanced in-year budget with no further increases in planned deficits. This matter continues to be monitored through the corporate risk register mechanism.

School governance has also continued to be highlighted as an area for improvement through the results of the internal audits undertaken and a Control Risk Self Assessment (CRSA) audit process. Audit Committee continues to monitor the results of internal audit reports, together with the effectiveness of interventions where they have been required to improve financial management and governance.

Upon the request of the Audit Committee, a review of Supply Teachers was undertaken and Audit Committee was provided with a WAO report 'Covering Teaching Absences' with recommendations for Welsh Government, Local Authorities and Schools. Audit Committee was informed by the Director of Education that from September 2016, training will be offered to Governors in monitoring absences.

## **5.2 City Operations**

In respect of a Highways Street Operations Payroll Audit, the Committee has continued to seek assurances that the recommendations raised in 2011, 2014 and a May 2015 have been sufficiently addressed. In September 2016 the Director of City Operations and Operational Manager Assets, Engineering and Operations attended Audit Committee to answer questions regarding the progress made. Audit Committee has requested a further report to provide evidence and assurance that the recommendations made have been fully addressed.

## **5.3 Social Services**

The financial position of the Social Services Directorate has continued to be a significant area of attention, with non-delivery of historic savings and costs continually exceeding budgets. In November 2016, the Director of Social Services attended Audit Committee to respond to the financial concerns. Audit Committee was provided with a WLGA briefing paper, which emphasised that Social Service demand increases, cost escalation and financial deficit is a national issue for local authorities.

Audit Committee welcomes the objectives of a new approach to develop an integrated service / financial strategy to better forecast demand and align strategies accordingly. Audit Committee has requested a presentation of the financial proposals once approved by Cabinet at the financial year end 2016/17.

The Chairperson has written to the Chief Executive and Section 151 Officer outlining the Audit Committee concerns and expressing the importance of accurate cost and demand forecasts, sufficient budget provision and clear accountability for achieving the budget set.



## **5.4 Internal Audit**

Internal Audit conformance with the mandatory Public Sector Internal Audit Standards (PSIAS) is subject to an external review. The scope and form of the review has been approved by the Audit Committee and we welcome the validation and opportunities for improvement that an external assessment will bring over the coming months.

In September 2016, Audit Committee received an Internal Audit self-assessment action plan which the team is working towards to deliver improvement opportunities. This has involved a refinement of the Internal Audit Charter and the Audit Plan which were subsequently approved by Audit Committee in March 2017.

## **5.5 Welsh Pool Pension Fund Governance**

The Committee has received a report from the Pensions Manager providing an update on the development of a Wales Investment Pool to manage the investment assets of eight Local Government Pension Scheme (LGPS) funds in Wales and the proposed governance arrangements for the Pool.

The proposed Wales Investment Pool includes the establishment of a Joint Governance Committee comprising an elected member from each administering authority, supported by an Officer Working Group. The Council approved the establishment of the Pension Committee in June 2016 in order to exercise strategic oversight of its responsibilities for the administration of the Pension Fund.

Audit Committee has requested that in the event of any future proposals regarding the governance of the Welsh Pool Pension Fund that it is presented to Audit Committee prior to implementation.

## **6. Audit Committee Self-Assessment**

In September 2016 Audit Committee held a self-assessment workshop, where performance was reviewed against a best practice CIPFA framework.

The assessment involved a review of good practice and effectiveness, as well as a progress review against the Audit Committee 2015/16 assessment. The assessment has provided Audit Committee with a good level of assurance in the delivery of its core role and function. The assessment results and the action plan of eight improvement actions are appended to this report.

The key areas of attention are refining the Audit Committee terms of reference for the new municipal year and undertaking a formal member skills assessment.

## **7. Key Observations 2016/17**

With the support of the Wales Audit Office, Internal Audit and other Council officers, a Work Programme was developed setting out the priorities for the year. This centred on delivering the

Audit Committee terms of reference with a focus on the significant risks and challenges facing the Council.

The Committee has concentrated on areas considered to be high profile and / or high risk within the Council, and have met officers responsible for various aspects of service delivery. This has enhanced the Committee's understanding of the services provided and the challenges faced. In addition, the Committee has had the opportunity to challenge and discuss actions taken in response to both External and Internal Audit Reports. It is recognised that the Council has continued to face severe financial challenges with an ongoing need to realise efficiencies and implement new service delivery approaches. It is vital that good governance is maintained. The Committee will continue to support the Council as it responds to these challenges.

## **8. Opinion of the Audit Committee for 2016/17**

Based on the evidence presented to the Audit Committee during 2016/17, it is the considered view of the Committee that the Council does, for the most part, have sound financial controls and governance arrangements in place. Strategic risks representing the true challenges facing the Council are well captured and reviewed on a regular basis. Examples of where the Committee has continuing concerns, which will be incorporated into the Committee's Work Programme for 2017/18, include:

### **8.1 Budget Prioritisation / Control**

The Audit Committee recognises the significant sustained financial pressure that the Council is under. Budget monitoring (control) has been reported as a 'red' corporate risk in each Audit Committee meeting in 2016/17 and the Corporate Director Resources has reported the outturn position in each finance update.

Audit Committee has raised concern that in some areas there have been significant overspends, with those in the Social Services Directorate being most notable. Audit Committee has explored the sufficiency of the budget for Social Services to meet demand and cost requirements. It is positive that both the Corporate Director Resources and the Director of Social Services have attended Audit Committee and expressed the same sentiments that there has been a need to forecast demand better, but also that there is scope to improve the accountability of delivering the required savings within the Directorate.

It is crucial that budgets are prioritised to deliver robust and achievable savings, and assurance has been received from the Corporate Director Resources that greater continued work is ongoing to further enhance the budget setting process and its delivery.

### **8.2 Organisational Development**

The Chief Executive has attended Audit Committee to discuss the Corporate Assessment Follow On report which was published by the Wales Audit Office (WAO) in February. Audit Committee recognises the importance of the Organisational Development Programme (ODP) in contributing to the improvements required through its programmes of work.

Audit Committee recognises that delivery against the ODP and the Corporate Assessment are being monitored and challenged by other Committees (namely the Policy Review and

Performance Scrutiny Committee). However, at a time of continued financial pressure, Audit Committee has a particular interest in the demonstration of the ODP as enabling the delivery of key savings. This need has been supported by the Corporate Assessment Follow On report, which highlighted a need for a clear link between Medium Term Financial Plan savings plans and work streams or projects in the ODP.

The Chief Executive has provided explanation of a number of mechanisms which have been put in place to improve organisational planning and delivery. In terms of budget setting, the process for 2017/18 was brought forward to improve forward planning and engagement, a refresh of the ODP was made in June 2016, and a new Head of Performance and Partnerships post was created in 2015/16 to strengthen performance management. Audit Committee anticipates the next report from WAO to recognise the effectiveness of these improvements.

Internal Audit has undertaken a Control Risk Self Assessment (CRSA) approach to auditing a pilot of ODP projects and an audit of OD Governance. It is positive to note overall satisfactory assurance.

### **8.3 Financial / Internal Control**

The continuing reduction in resources, together with a growing population and greater demand for public services, mean that the Council is facing significant challenges in how it delivers services in the future. A key enabler for meeting severe financial pressures is reforming and redesigning services. There is a clear need to ensure strong internal controls are integrated within new or reformed processes and systems. At a time when many decisions have to be finance driven it is essential that internal controls are not neglected or impaired.

Audit Committee has continued to invite those senior managers and officers to account for services or functions where financial or internal control weaknesses have been identified. We continue to challenge any impairment in stewardship and control of public funds and assets, seeking prompt and proportionate management actions.

Audit Committee has welcomed an external assessment of the Internal Audit Team as required in the Public Sector Internal Audit Standards (PSIAS) which is commencing at the municipal year end 2016/17. Internal audit is a key source of assurance for the Audit Committee on financial and internal control, and external validation of conformance with the PSIAS offers us assurance and enables greater promotion of the value of the Internal Audit services.

### **8.4 Contract and Procurement Matters**

'Commissioning capability and capacity' has been carried forward as a significant governance issue from 2015/16. Audit Committee has taken an interest in the progress made to address this issue, through which management propose separating the Commissioning Strategy from the Procurement Strategy to provide clear and distinct guidance for the separate disciplines. Audit Committee is keen that this work is progressed and promptly, given the high value for money implications in a context of significant procurement and contract spend.

The Building Maintenance Framework is a high value contract which has been of interest to Audit Committee for a number of years in respect of its cost and the quality and effectiveness of service delivery. Members have raised contract management concerns over the operation of this contract following multiple issues being raised by constituents relating to the standard of

work completed on domestic Council properties as part of the framework. Last financial year, Audit Committee was presented with a briefing which summarised the findings of an independent report on the Building Maintenance Framework from Constructing Excellence Wales (CEW).

With the knowledge that a new commissioning and procurement process is underway for the next iteration of this framework contract, Audit Committee has taken a keen interest in emphasising that the following issues in the existing contract are sufficiently addressed. Audit Committee has emphasised the need:

- for better communication of the policies and processes with Elected Members;
- for a focussed single Council delivery approach to provide best use of resources and improved monitoring, customer service and satisfaction;
- to ensure effective use of Council resources, value for money in parallel to effectiveness and efficiencies of current framework;
- to learn from current framework contract arrangements;
- for a robust process for complaints; their review; and consideration be given to a quality assurance report for tenants / clients to complete and return (aimed at providing the more vulnerable people with a greater opportunity to comment on work done and quality issues);
- for the Building Maintenance Project Board to continue to monitor the implementation of the recommendations arising from the CEW report.

At a time when the Council is moving towards new models of service delivery Audit Committee will continue to seek assurances that improvements are being made to contract management on a Council-wide basis. Audit Committee will continue to monitor the findings of Internal Audit reports and the progress of the Building Maintenance Project Board.

## **8.5 Financial Resilience (including Treasury Management)**

In a position of austerity the Audit Committee is focussed on ensuring that financial decisions are made which will benefit the organisation over the medium and long term in addition to meeting current service needs.

The Audit Committee has received updates on financial resilience as part of the finance updates from the Corporate Director Resources in each meeting in 2016/17. Committee has also received a report from the Wales Audit Office (WAO) of their financial resilience assessment of the Council, which took place between May – October 2015. Whilst the report provided assurance on effective financial resilience, the Audit Committee has maintained its focus on monitoring the use of reserves and links between all directorate delivery plans to the Medium Term Financial Plan to improve planning, integration and control.

Sound treasury management is recognised as vital to safeguard and provide best value from the Council's borrowing and investments. Audit Committee has continued to probe the levels and profiles of investments and borrowing throughout the year and has played a key role in reviewing the Treasury Management Strategy and Reports. This will continue to be a key area of focus going into 2017/18.

## **8.6 Schools Governance & Compliance**

Audit Committee has continued to raise concerns about governance and compliance matters in schools. Historically, Audit Committee has received a greater proportion of 'Limited Assurance' and 'No Assurance' audit reports in relation to schools, compared to the rest of the Authority. This trend has not improved in 2016/17, with Internal Audit opinions of both 'Limited Assurance' and 'No Assurance' issued to Cardiff schools this year. Particular concerns and details have been discussed in Audit Committee meetings, together with relevant management responses.

The Committee acknowledges that the Council is not able to set rules for schools to adhere to regarding contracting matters, albeit advice can be offered on good practice. Although practices can only be commended, given the size of school budgets and the reputational risks associated with weaknesses in school governance, this area of interest remains a priority of the Audit Committee. The Audit Committee continues to support the production and use of best practice guidance in schools to strengthen financial stewardship and control.

## **9. Looking ahead to 2017/18**

During the forthcoming municipal year the Committee will continue to be guided by the Corporate Director Resources, the Audit Manager and the Internal and External Audit teams.

The Audit Committee's programme of work will continue to be aligned to delivering its terms of reference effectively. This will include monitoring the management of the existing matters highlighted in the 'Opinion of the Audit Committee 2016/17' as well any new issues which require our attention.

The Committee's Work Programme will continue to be reviewed to ensure the contribution to governance, risk management and control are maximised, with work progressed to further realise the synergies between the Council's Audit and Scrutiny Committees.

## **10. Audit Committee Membership 2016/17**

The Committee consists of four Independent Lay Members and eight Non Executive Councillors (one vacant), elected by Council (detailed in Annex 2). Independent members are appointed for no more than two administrative terms with Council Members reappointed annually.

The Committee is serviced by Council Officers, principally the Corporate Director Resources (Section 151 Officer) and the Audit Manager. Representatives from the WAO also attend Audit Committee meetings.

The Audit Committee met on 5 occasions throughout the municipal period 2016/17 on the following dates: 27 June 2016, 19 September 2016, 29 November 2016, 24 January 2017 and 14 March 2017.

## 11. Attendance in 2016/17

Attendance 2016/17	Possible	Actual
<b>Independent Lay Members</b>		
Ian Arundale (Chairperson)	5	tbc
Professor Maurice Pendlebury (Deputy Chairperson)	3	tbc
Hugh Thomas (Deputy Chairperson, 29.11.16)	5	tbc
David Price (filled vacant post 25.11.16)	Ab: 29.11.16 3	tbc
Gavin McArthur (replaced Professor Maurice Pendlebury 01.12.16) – attended 29.11.16 meeting as an observer	2	tbc
<b>Non Executive Councillors</b>		
Councillor Nigel Howells	5 Ab: 19.09.16	tbc
Councillor Bill Kelloway	5 Ab: 27.06.16	tbc
Councillor Mary McGarry	5 Ab: 19.09.16	tbc
Councillor Paul Mitchell	5	tbc
Councillor Jim Murphy	5	tbc
Councillor David Walker	5	tbc
Councillor Christopher Weaver	5 Ab: 24.01.17	tbc

During 2016/17 the Committee experienced a number of changes in membership. Professor Pendlebury stepped down as Deputy Chair of the Audit Committee and Cllr Dianne Rees stepped down as a member of the Audit Committee.

Two Independent Lay members commenced in November and December 2016 respectively (David Price and Gavin McArthur). They have received induction information and training from Finance managers in governance, risk management and treasury management.



## 11. Audit Committee Contacts

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## Annex 1 Self-Assessment: Improvement Actions – Updated Position (February 2016)

Ref.	Improvement Actions	Target Date	Action Owner
<b>Actions Carried Forward from 2015/16</b>			
1.	<p><u>Internal Audit Resource</u></p> <p>The impact of reducing resources within the Audit team to continue to be monitored and highlighted. Regular reports are required from the Audit Manager.</p>	Ongoing	Audit Manager
2.	<p><u>Audit / Scrutiny Protocol</u></p> <p>In order to address the issue of items being considered by Scrutiny overlapping with Audit Committee, a protocol is to be developed by officers.</p> <p>This will be progressed though engagement with the new Director for Governance and Legal Services (Davina Fiore).</p>	Ongoing	Audit Manager & Director, Governance and Legal Services.
<b>(New) Proposed Improvement Actions</b>			
3.	<p><u>Audit Committee Terms of Reference</u></p> <p>Audit Committee to review its Terms of Reference in consideration of the CIPFA best practice guidance in readiness for the 2017/18 municipal year. This will also require consideration of the Local Government (Wales) Bill implications for the anticipated widening role of the Committee.</p> <p>Focus is particularly required in respect of the extent of risk management, performance and partnership oversight responsibilities.</p>	March 2017	Audit Committee, Audit Manager & Director, Governance and Legal Services.
4.	<p><u>Role and Purpose of Audit Committee</u></p> <p>The Audit Committee to consider the publication of a newsletter to assist officers and members in understanding its role, purpose and work.</p>	January 2017	Audit Manager
5.	<p><u>Audit Committee information / Reports</u></p> <p>There is an opportunity to discuss the ongoing work programme at the end of each Audit</p>	January 2017	Audit Manager



	Committee meeting and to decide if additional reports are to be requested from Management.		
6.	<u>Agenda Setting</u> The pre Audit Committee Meeting could have more briefings and officer presentations. This would assist in the wider discussion of issues which may be of interest at the agenda setting stage.	January 2017	Audit Manager
7.	<u>Knowledge and Skills</u> The CIPFA 'Audit Committee Members – Knowledge and Skills Framework' to be trailed for skills and development assessments on a low impact basis.	January 2017	Audit Manager & Audit Committee
8.	<u>Audit Committee Minutes</u> Audit Committee minutes are required more promptly, with a target of a two week turnaround for the Chair to review.	November 2016	Democratic Services

## Audit Committee Self-Assessment

### A) Self-Assessment of 'Effectiveness'

#### Assessment Key

Score	Description
<b>5</b>	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
<b>4</b>	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
<b>3</b>	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
<b>2</b>	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
<b>1</b>	No evidence can be found that the audit committee has supported improvements in this area.

#### Self-Assessed Score

Areas where the audit committee can add value by supporting improvement	Score
Promoting the principles of good governance and their application to decision making.	<b>4</b>
Contributing to the development of an effective control environment.	<b>5</b>
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<b>3.5</b>
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<b>4</b>
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	<b>5</b>
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	<b>4.5</b>
Supporting the development of robust arrangements for ensuring value for money.	<b>3.5</b>
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<b>4.5</b>
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	<b>4.5</b>




## B) Self-Assessment of 'Good Practice'





Good practice questions		Yes	Partly	No
<b>Audit committee purpose and governance</b>				
1	Does the authority have a dedicated audit committee?	√		
2	Does the audit committee report directly to full council? (Applicable to local government only.)	√		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?		√	
4	Is the role and purpose of the audit committee understood and accepted across the authority?	√		
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	√		
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	√		
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
	• good governance		√	
	• assurance framework	√		
	• internal audit	√		
	• external audit	√		
	• financial reporting	√		
	• risk management	√		
	• value for money or best value		√	
• counter-fraud and corruption.	√			
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	√		
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to	√		





	undertake them?			
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	√		
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	√		
<b>Membership and support</b>				
12	Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> <li>• separation from the executive</li> <li>• an appropriate mix of knowledge and skills among the membership</li> <li>• a size of committee that is not unwieldy</li> <li>• where independent members are used, that they have been appointed using an appropriate process.</li> </ul>	√		
13	Does the chair of the committee have appropriate knowledge and skills?	√		
14	Are arrangements in place to support the committee with briefings and training?	√		
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			√
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	√		
17	Is adequate secretariat and administrative support to the committee provided?	√		
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	√		
19	Has the committee evaluated whether and how it is adding value to the organisation?	√		
20	Does the committee have an action plan to improve any areas of weakness?	√		

## Annex 2 - Audit Committee Member Profiles

### Current Membership

 <p><b>Ian Arundale</b> <b>(Chair)</b> (Independent Lay Member)</p>	<p>Ian Arundale is a self-employed Law Enforcement and Security Consultant. He was a police officer for 32 years serving in South Wales, West Mercia and Dyfed-Powys Police Forces rising to the rank of Chief Constable.</p> <p>Ian was the UK lead on behalf of the Association of Chief Police Officers (ACPO) for 'Armed Policing' policy and practice and chaired the UK 'Conflict Management' portfolio.</p> <p>He works internationally and has recently assisted police forces and organisations in the USA and New Zealand.</p> <p>Ian holds a diploma in Applied Criminology from Cambridge University, an MSc (Econ) degree in Criminology and Criminal Justice from Cardiff University and a BA (Hons) degree in Police Studies. He is a Fulbright Fellow and a graduate of the Prime Ministers 'Top Management' programme.</p> <p>In addition to his role with work with Cardiff Council, he is also a member of the Discipline Committee of the Royal College of Veterinary Surgeons and a board member of the International Law Enforcement Forum (ILEF)." He was awarded the Queens Police Medal (QPM) in 2011.</p>
 <p><b>Hugh Thomas</b> <b>(Deputy Chair)</b> (Independent Lay Member)</p>	<p>Hugh Thomas, a retired Solicitor, pursued a Local Government career for forty years culminating in his being Chief Executive of Mid Glamorgan County Council (the largest local authority in Wales) for fifteen years. During this time he served as Clerk to the South Wales Police Authority and Honorary Secretary of the Assembly of Welsh Counties. He retired in 1995.</p> <p>He has since chaired a number of public bodies and national voluntary organisations including those in the health and higher education sectors. He was Vice Chairman and Chair of the Audit Committee of the Wales Centre for Health. He was also a non-Executive Director of Welsh Water. He served as Chairman of The Regulatory Board for Wales 2010 – 2016.</p> <p>Currently, he is serving a second term as one of the fifteen Trustees of The National Library of Wales.</p>
 <p><b>Gavin McArthur</b> (Independent Lay Member)</p>	<p>Gavin McArthur recently left the Civil Service where he was Head of Governance and Assurance for the Ministry of Justice Estates Directorate. Prior to that he held senior management roles in internal audit functions in local and central government. His professional experience and expertise lie in the fields of internal control, risk management, governance, internal audit and performance management.</p> <p>Following a degree in Geological Sciences from Birmingham University, Gavin qualified as a CIPFA accountant with Coventry City Council where he undertook a range of financial management and accounting roles, including audit.</p> <p>A keen sportsman, who played semi-professional football for VS Rugby, Gavin now has coaching qualifications in rugby, goalkeeping and strength and</p>

	<p>conditioning. He currently coaches at a local rugby club and for a university football team, and is an experienced Tai chi practitioner.</p>
 <p><b>David Price</b> (Independent Lay Member)</p>	<p>David Price is a strategic planner and policy specialist in the UK education and knowledge exchange sector with executive-level experience.</p> <p>Educated at the universities of Sheffield and Newcastle-Upon-Tyne and at schools in the UK and abroad, David is a graduate of the Leadership Foundation for Higher Education's Top Management Programme.</p> <p>He has worked for two non-governmental public bodies and three universities, acted as a critical friend to educational agency sponsored initiatives, provided consultancy services and taught in secondary schools.</p> <p>David's professional interests focus on the development and creative use of performance systems, business intelligence, risk management, regulation and governance.</p>
 <p><b>Cllr Nigel Howells</b> (Liberal Democrats)</p>	<p>Serving the <b>Adamsdown</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Bilingual Cardiff Member Group</a></li> <li>• <a href="#">Council</a></li> <li>• <a href="#">Economy &amp; Culture Scrutiny Committee</a></li> <li>• <a href="#">Policy Review and Performance Scrutiny Committee (Chair)</a></li> </ul> <p><b>Outside Bodies:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Cardiff Business Technology Centre (CBTC)</a></li> <li>• <a href="#">Local Government Association General Assembly</a></li> </ul>
 <p><b>Cllr Bill Kelloway</b> (Liberal Democrats)</p>	<p>Serving the <b>Penylan</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Council</a></li> <li>• <a href="#">Licensing Committee</a></li> <li>• <a href="#">Licensing Sub Committee</a></li> <li>• <a href="#">Public Protection Committee</a></li> <li>• <a href="#">Public Protection Sub Committee</a></li> </ul>
 <p><b>Cllr Mary McGarry</b> (Labour)</p>	<p>Serving the <b>Plasnewydd</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Community &amp; Adult Services Scrutiny Committee (Chairperson)</a></li> <li>• <a href="#">Council</a></li> </ul> <p><b>Outside Bodies:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Cardiff Action for the Single Homeless (Huggard Centre)</a></li> <li>• <a href="#">Cardiff County Club</a></li> <li>• <a href="#">Standing Advisory Council for Religious Education (SACRE)</a></li> </ul>

	<p>Serving the <b>Fairwater</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Council</a></li> <li>• <a href="#">Environmental Scrutiny Committee (Chairperson)</a></li> </ul> <p><b>Outside Bodies:</b></p> <p><a href="#">Cardiff County Club</a></p> <p><a href="#">South Wales Intercultural Community Arts (SWICA)</a></p>
	<p>Serving the <b>Ely</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Children and Young People Scrutiny Committee</a></li> <li>• <a href="#">Council</a></li> <li>• <a href="#">Council Appeals Committee</a></li> <li>• <a href="#">Democratic Services Committee</a></li> <li>• <a href="#">Licensing Committee</a> (Deputy Chair)</li> <li>• <a href="#">Licensing Sub Committee</a> (Deputy Chair)</li> <li>• <a href="#">Planning Committee</a></li> <li>• <a href="#">Policy Review and Performance Scrutiny Committee</a></li> <li>• <a href="#">Public Protection Committee</a> (Deputy Chair)</li> <li>• <a href="#">Public Protection Sub Committee</a> (Deputy Chair)</li> </ul>
	<p>Serving the <b>Lisvane</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Constitution Committee</a></li> <li>• <a href="#">Council</a></li> <li>• <a href="#">Employment Conditions Committee</a></li> <li>• <a href="#">Policy Review and Performance Scrutiny Committee</a></li> </ul>
	<p>Serving the <b>Cathays</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Council</a></li> </ul>



## Past Membership 2016-17



**Professor Maurice Pendlebury**  
(Independent Lay Member)

Maurice Pendlebury is a qualified accountant and until his retirement he was a professor of accounting at Cardiff Business School.

He has wide experience of many areas of management in both the public and private sectors and is the author of numerous books and articles on accounting and financial management topics.

He was a non-executive director of the Cardiff and Vale NHS Trust from April 2007 to September 2009 and he is currently a governor of a high school in Cardiff.

He was appointed as an independent member of the Audit Panel in 2010 and remained a member when the panel changed and became the current Audit Committee.



**Cllr Dianne Rees**  
(Conservative)

Serving the **Pontprennau & Old St Mellons** Ward.

**Term of Office:** 03/05/2012 -

**Serving on the following committees:**

- [Audit Committee](#)
- [Children and Young People Scrutiny Committee](#)
- [Constitution Committee](#)
- [Council](#)
- [Council Appeals Committee](#)



**DRAFT ANNUAL GOVERNANCE STATEMENT 2016/17**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 5.2**

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1. The Audit Committee's Terms of Reference requires Members to review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk and internal control.
2. The Audit Committee is also required to consider the Council's corporate governance arrangements against the good governance framework by way of the process of compiling the AGS.

**Background**

3. The Council has adopted the 'Delivering Good Governance in Local Government' framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This framework was updated following a period of consultation with the financial year 2016/17 representing its first year of application. The Accounts and Audit (Wales) Regulations 2014 requires Authorities to carry out an annual review of the effectiveness of the system of internal control, and this is represented in the AGS.
4. The Council uses the above governance framework to identify evidence against each of the 2 core and 5 supporting principles outlined below:

***Core principles***

- a. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- b. Ensuring openness and comprehensive stakeholder engagement.

***Supporting Principles***

- c. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- d. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- e. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- f. Managing risks and performance through robust internal control and strong public financial management;
- g. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

5. Good governance creates an environment for effective management, performance, stewardship, public engagement and ultimately, outcomes for citizens and service users. Sound governance enables the Council to pursue its vision with effective mechanisms for control and the management of risk.
6. The AGS summarises how the Council makes an assessment against the governance framework through three key elements:
  - Statements from Senior Management, the Audit Manager and the Audit Committee;
  - Supporting information and evidence mapped to the core and supporting good governance principles;
  - A Senior Management review of the Council's significant governance issues.
7. The AGS is presented to Audit Committee prior to year-end, and therefore contains a number of gaps, as much of the final drafting takes place after the financial year end.

## Issues

8. The opinion of the Audit Committee from section 8 of its Annual Report will be included in the AGS, together with statements from Senior Management and the Audit Manager on the system of internal control at the year-end position.
9. The Senior Management statement will reflect and summarise a Senior Management Assurance Statement (SMAS) assessment and a summary of significant governance issues. The full disclosure of significant governance issues will also be included in the AGS.

### Senior Management Assurance Statements

10. Biannual Senior Management Assurance Statement (SMAS) responses from the Chief Executive and each Director represent a self-assessment of how effectively they have discharged their roles in line with good governance principles. The responses are then collectively discussed and actions agreed in a Senior Management Team (SMT) meeting.
11. In November 2016, Audit Committee received a summary of the mid-year Senior Management Assurance Statement (SMAS) responses. Audit Committee commented that a significant number of responses reflected a disclosure of 'fully in place' across many areas. It was agreed that officers would review the process in order to provide a clearer picture of the extent of good governance in place.
12. The SMAS pro forma has subsequently been reviewed, through which it was felt that there was an opportunity to:
  - provide clear guidance to SMT on how an assessment must be made, which requires evidence from the full directorate management team;
  - enhance the rating system from a 3-point system to a 5-point system ranging from not in place, limited application, mixed application, strong application to embedded.
13. This more challenging and evidence-based process has been agreed with SMT for the year-end position, which will demonstrate more clearly the different levels of achievement across directorates. The rating system is aligned to the audit committee self-assessment scales in order to assist comparability between assessments.

14. Audit Committee will receive the analysis of SMAS responses in June 2017.

#### AGS Action Plan

15. An AGS action plan of significant governance issues is owned and maintained by the Senior Management Team (SMT). It represents the most significant governance issues which require monitoring, reporting and management at the senior level, when reflecting on the results of the SMAS and the Corporate Risk Register.

16. On a biannual basis the Chief Executive and all Directors each review the action plan of significant governance issues. They then meet collectively to discuss and agree the progress made against the action plan, any changes to its composition, and actions required.

17. Audit Committee received the mid-year Action Plan from the SMT in January 2017 and the year-end Action Plan will be reported to Audit Committee in June 2017.

#### **Legal Implications**

18. There are no legal implications arising directly from the contents of this report.

#### **Financial Implications**

19. There are no direct financial implications arising from this report.

#### **Recommendation**

20. Audit Committee to consider:

- the Council's corporate governance arrangements against the good governance framework.
- whether the content of the draft Annual Governance Statement 2016/17 properly reflects the risk environment and supporting assurances.

#### **CHRISTINE SALTER CORPORATE DIRECTOR RESOURCES**

The following Appendices are attached:

**Appendix A** - Draft Annual Governance Statement 2016/17

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## **Draft Annual Governance Statement 2016/17**

### **1. Scope of Responsibility**

1. The City of Cardiff Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.
2. The Cardiff Harbour Authority (Harbour Authority) is subsumed in the Council and not a separate entity. The Council is the Administering Authority for the Cardiff and Vale of Glamorgan Pension Fund (the Pension Fund) and Cardiff Port Health Authority (CPHA). In January 2017 the Council was also approved by Cabinet as the Accountable Body for the City Capital Region (CCR) City Deal.
3. The governance arrangements detailed in this Annual Governance Statement (AGS) apply equally to the Council's responsibilities to the Harbour Authority, Pension Fund, CPHA and CCR City Deal. Within the Statement of Accounts, the Annual Return of the CPHA includes a corresponding Annual Governance Statement with additional supporting governance information. There are further specific requirements for the Pension Fund which are:
  - The Statement of Investment Principles;
  - Funding Strategy Statement;
  - A full Actuarial Valuation to be carried out every third year.
4. The Council has adopted the 'Delivering Good Governance in Local Government' framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This framework was updated following a period of consultation with the financial year 2016/17 representing its first year of application.
5. This statement explains how the Council has complied with the Governance Framework and meets the requirements of the Accounts and Audit (Wales) Regulations 2014.
6. The governance arrangements in the Council's two subsidiary companies, namely Cardiff City Transport Services Ltd. (Cardiff Bus) and Cardiff Business Technology Centre (CBTC) are subject to periodic review. These were not reviewed by the Council in 2016/17.

### **2. The purpose of the Governance Framework**

7. The Governance Framework comprises the systems, processes, culture and values by which the Council is directed and controlled and the means through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The Council's Constitution represents its code of governance, setting out how decisions are made and the procedures which are followed through rules, codes of practice and protocols.

8. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives but is based on an ongoing process to identify, prioritise and appropriately manage risk.

### **3. The Governance Framework**

9. The Framework comprises two core principles and five supporting principles. Principles A and B permeate implementation of principles C to G but good governance is dynamic, and the Council as a whole is committed to improving governance on a continuing basis through a process of evaluation and review.

#### ***Core principles***

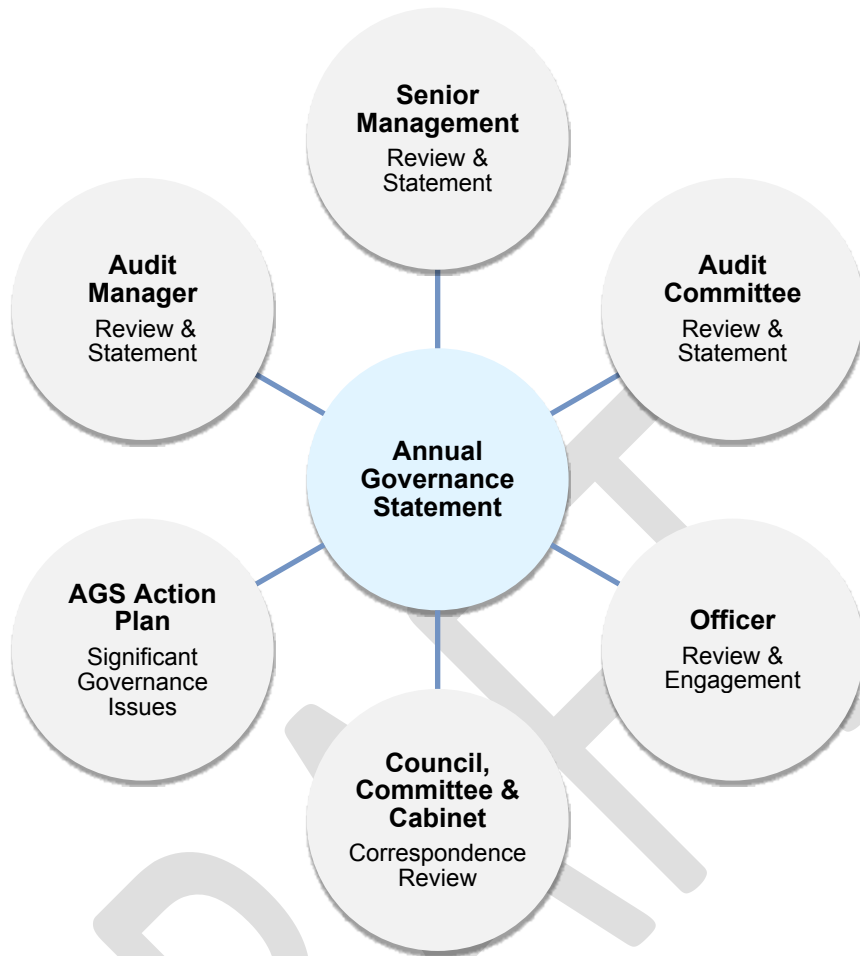
- a. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- b. Ensuring openness and comprehensive stakeholder engagement.

#### ***Supporting Principles***

- c. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- d. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- e. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- f. Managing risks and performance through robust internal control and strong public financial management;
- g. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

### **4. Assessment Process and Summary**

10. The AGS summarises the assessment of governance against the governance framework and comprises three elements:
  - 1) Statements from Senior Management, the Audit Manager and the Audit Committee;
  - 2) Supporting information and evidence mapped to the core and supporting good governance principles;
  - 3) A Senior Management review of the Council's significant governance issues.
11. The three elements above when taken together represent the assessment of governance, through the perspectives of the Senior Management Team (SMT) and the independent opinions of the Internal Audit Manager and Audit Committee based on their respective programmes of work and an assessment of the system of internal control.
12. For further information and detail, supporting information is mapped to the governance framework principles (a-g) within the AGS and followed by an open disclosure from the senior management team (SMT) of the significant governance issues affecting the organisation as summary actions to take forward and address.
13. The diagram below sets out the components of this assessment.



**i) Assurance Statements**

14. The following statements are made at the year-end, upon consideration of the performance information, governance disclosures and audit and regulatory report findings from assessors both internal and external to the Council.

**Senior Management Statement**

To be populated at the year-end position

**Audit Manager Statement**

To be populated at the year-end position

**Audit Committee Statement**

To be populated at the year-end position

## ii) Governance Framework - Supporting Information

### A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

15. All Members and Officers in the Council are required to comply fully with Codes of Conduct as set out in the Constitution, which sets out the particular roles and responsibilities of Officers and Members and provides clarity on the interfaces between these roles. These include:
  - Functions and subsections delegated to officers;
  - Members' Code of Conduct;
  - Employees' Code of Conduct;
  - Protocol on Member / Officer Relations;
  - Cardiff Undertaking – signed by all Members upon election and underlines their duties to the City and its citizens.
16. The Monitoring Officer has the specific duty to ensure that the Council, its Officers, and its Elected Councillors, maintain the highest standards of conduct in all they do based on Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000. An interim Monitoring officer was in place in the financial year 2016/17 until the appointment of the new Director of Governance and Legal Services and Monitoring Officer in September 2016.
17. The Standards and Ethics Committee has a responsibility to monitor and scrutinise the ethical standards of the Authority, its Members, employees and any associated providers of the Authority's services, and to report to the Council on any matters of concern. The Committee is chaired by an independent person and its role includes determining the outcome of complaints against Councillors and Co-opted Members and monitoring the Council's whistleblowing procedures.
18. Results of the Standards and Ethics Committee Annual Report 2016/17 to be included here – Going to Council in June 2017.
19. An Officers' Personal Interests & Secondary Employment Policy requires staff to disclose any personal interest which actually or potentially conflict with their duties to the Council and all secondary employment. The policy sets out how all Council employees are obliged, under the Employees' Code of Conduct, to ensure that their private interests do not conflict with their public duties, and to comply with the Council's rules on the registration and declaration of financial and non-financial interests.
20. For Members the 'Cardiff Undertaking', sets out expectations of conduct in accordance with the 'Principles of Public Life'. The Corporate Assessment Follow-on, issued by the Wales Audit Office (WAO) in February 2016, recognised these governance arrangements, but concluded that the Standards and Ethics Committee could do more to visibly enforce the principles of the Cardiff Undertaking.
21. To address this recommendation the Standards & Ethics Committee has committed to publishing biannual Member Briefings on the work of the committee, underlining the importance of the Cardiff Undertaking and member conduct and behaviour. The first briefing was authorised for publication to all members in August 2016.



22. The Council's Cabinet approved Corporate Values focus on fairness, openness and working together. The Council supports a culture of behaviour based on these values which guide how the long term vision of the Council is put into effect, as well as how Members and Officers deliver their day to day roles. Corporate and directorate planning and personal performance and development arrangements are aligned to delivering corporate values and priorities.

**23. Results of the staff survey 2016/17 to be included here.**

24. The Workforce Strategy and Employee Charter have been in place throughout 2016/17 and are underpinned by the Council's vision and values and aligned to the Corporate Plan and the Organisational Development Programme:

- The Employee Charter sets out the expectations of employees, managers and senior managers and has formed part of the objective setting process for personal performance and development reviews. It aims to address the issues raised by the Wales Audit Office in September 2014 as part of the Corporate Assessment and the earlier Welsh Local Government Association (WLGA) Peer Review.
- The Workforce Strategy seeks to deliver outcomes for and with employees, within a culture that supports a flexible, skilled, engaged and diverse workforce.

25. The Council takes fraud, corruption and maladministration very seriously supported by the following policies to prevent, and manage such occurrences:

- Financial Procedure Rules;
- Contract Standing Order and Procurement Rules;
- Whistleblowing Policy;
- Fraud, Bribery & Corruption Policy;
- Money Laundering Policy and Procedure;
- ICT Security Policy;
- Data Protection Policy & Procedure;
- HR policies regarding investigation and discipline of staff.

26. Induction training is undertaken by all staff to ensure awareness and understanding on a range of policies, procedures and regulations including those relating to Financial Control, Data Protection, Health & Safety, Equalities and IT Security. Induction training also ensures that all staff are aware of the corporate values and how they should be applied.

27. The Corporate Director Resources is the Council's Section 151 Officer with overall responsibility for the financial administration of the Council. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

**B. Ensuring openness and comprehensive stakeholder engagement.**

28. Through its Corporate Values, the Council outlines a commitment to being "open and honest about the difficult choices we face, and allowing people to have their say on what's important to them and their communities." Consultation, engagement and joint working with citizens are central to delivering this value and are outlined as follows.

29. To support openness, the Council is focusing on publishing increasing amounts of data through the development of an Open Data Strategy as part of the Council's Publication Scheme. It has adopted the UK government's approach to publishing data to a minimum of 3 stars out of a 5 star scale. This means data should be easily accessible and available to re-use as required (subject to terms outlined in the Open Government Licence). In 2016/17 a project group has focussed on achieving this standard.
30. There is open debate and challenge on performance and risk management with quarterly reporting and review in Senior Management Team (SMT) and further challenge and oversight in Cabinet, Scrutiny and Audit Committee meetings. A Risk Management Steering Group is in place to develop and review risk management policy and accountability frameworks and to support SMT in identifying new and emerging corporate risks. A 'Star Chamber' is used by the Chief Executive, Directors and Cabinet Members to agree actions arising from an open debate of performance and service delivery challenges.
31. Meetings of the Council, Cabinet and Committees are generally open to the public to attend except where confidential or exempt information is being discussed, as defined by the law. Full Council meetings include a facility for public questions, and the Council's Scrutiny Committees invite stakeholder contributions to their scrutiny programme, both through research and consultation exercises and through direct access to address Committees. Throughout 2016/17 the Council has webcast Council and Planning Committee meetings to enable wider public accessibility. Papers and reports are also available on the Council's website via 'Modern.gov.'
32. The public and other stakeholders are given the opportunity to tell the Council what they think about the services provided through the Council's Comments, Complaints and Compliments Policy. It reflects guidance given in the Welsh Government Model Policy and Guidance Paper for Handling Complaints, as well as guidance received from the Public Service Ombudsman for Wales and places a greater emphasis on a prompt resolution of complaints. Cabinet is informed annually of the number of complaints received.
33. Citizens, communities and partners have been engaged in a three year conversation 'The Cardiff Debate' about the future of public services in Cardiff. Consultation on the 2016/17 budget involved 3,348 people completing a 'Changes for Cardiff' questionnaire and public views were also given via petitions, social media, attendance at 'drop-in' public engagement events, and through correspondence. The consultation ran for more than four weeks and included twenty community engagement events, a youth council event, an online questionnaire, a video, social media promotion and hard copy questionnaires distributed across the city.
34. Regular meetings are held with Institutional stakeholders to whom the Council is accountable, which include the Welsh Government and the Council's External Auditors (Wales Audit Office). Efforts have also been made to foster open and effective relationships between the County Council and the six Community Councils in Cardiff through a Community Councils Charter ("the Charter"). It reflects the model Charter issued by the Welsh Government in the Local Government (Wales) Measure 2011 and is based on equality of partnership between the two tiers of local government.
35. The Council participates in a single integrated partnership strategy 'What Matters' 2010-2020' which was introduced to deliver a vision of 7 shared citizen outcomes, and bring together the Community Strategy; the Children & Young People's Plan; the Health, Social Care & Wellbeing Strategy and the Community Safety Strategic Assessment. A Public Service Board was in place throughout 2016/17 and replaced a former Local

Service Board to deliver the 'What Matters' outcomes and also to meet the requirements of the Wellbeing of Future Generations Act 2015. Delivery against the What Matters outcomes is subject to an annual review.

36. The Wellbeing of Future Generations Act 2015 requires decision making to encompass 7 wellbeing goals and 5 ways of working to ensure improvements to the economic, social, environmental and cultural well-being of the Local Authority area. Statutory membership includes the Local Authority, Health Board, Fire and Rescue Service and Natural Resources Wales. To help embed the wellbeing goals in the decision making process a Liveable City Policy Forum helped to develop a Liveable City Integration Tool to be piloted in assessing the impact of draft policy decisions in the next financial year.
37. Neighbourhood Partnership teams made up of multi-agency staff, collaborate and work together to redefine conventional working and bring more decision-making and resources closer to communities. This approach has shaped the work of some delivery programmes such as Families First, Communities First, Flying Start and Youth Engagement Panels to target Council resources effectively, reduce duplication and identify gaps in services. Cardiff's Community Hubs offer locality based partnership working and Neighbourhood delivery has been a consideration in alternative delivery models (ADMs).
38. The Council regularly engages in consultation with the Trade Unions and a 'Partnership for Change Agreement' was signed off in February 2015. This agreement, lays the groundwork to address the difficult challenges ahead around how, irrespective of any service delivery models agreed, the Council will jointly address the continuing budget savings required whilst reducing operating costs, improving performance and improving customer satisfaction. A Joint Partnership Board supports the reform agenda.

### **C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.**

39. The Cabinet has established a vision for Cardiff to be "Europe's most liveable capital city" through achieving seven outcomes, as jointly agreed by public service and third sector partners. A 'Liveable City Report' is published annually and captures performance against a range of indicators associated with each of the following outcomes.
  - People in Cardiff are safe & feel safe
  - Cardiff has a thriving & prosperous economy
  - People in Cardiff achieve their full potential
  - Cardiff is a great place to live, work & play
  - People in Cardiff have a clean, attractive & sustainable environment
  - People in Cardiff are healthy
  - Cardiff is a fair, just & inclusive society
40. The Corporate Plan sets out the organisation's priorities and clear improvement objectives to be delivered with the support of Lead Members. It was approved by Council in February 2016 for the period 2016 – 2018, informed by the consultation on budget proposals for 2016/17. It sets the strategic direction and provides a framework for Directorate Delivery Plans and performance management objectives. Corporate Plan priorities have been maintained from last year as below:
  - Better education and skills for all;
  - Supporting vulnerable people;

- Creating more jobs and better paid jobs;
  - Working together to transform services.
41. The delivery of the Corporate Plan is monitored through the Council's Performance Management Framework, which includes:
- Performance Challenge sessions of the Council's Senior Management Team;
  - Joint Cabinet and Senior Management Team Performance Challenge meetings;
  - A Challenge Forum involving Members, Senior Officers and external peer support to challenge the Council's progress against its improvement journey and the delivery of the Corporate Plan
42. The Council has committed to the Sustainable Development Charter and making decisions that produce the best long term outcomes for Cardiff and the future of Wales. A Cardiff Capital Region (CCR) City Deal aims to enhance development, infrastructure, land use, economic development and employment. Its proposals are supported by a £1.2bn fund with a target of creating 25,000 jobs by 2036, leveraging £4bn of private sector investment and securing economic growth. The CCR City Deal involves the UK Government, Welsh Government and ten Council's working together, through joint enterprise. In January 2017, an independent report of how best to support the ambitions of the CCR from the CCR Growth and Competitiveness Commission was endorsed by the 10 Council Leaders. Work has begun to include the report's recommendations as areas of work within the CCR City Deal Implementation Plan.
43. In the context of increasing demand for Council Services and ongoing reductions in budgets, a rolling three year Organisational Development Programme has continued to:
- Review the shape and scope of the organisation and the way in which services are currently delivered to meet demand;
  - Enhance citizen engagement and widen opportunities for people and communities to shape services around their needs;
  - Identify delivery models that may be established to meet demand pressures and reflect budgetary realities;
  - Strengthen performance management, workforce development and staff engagement arrangements;
  - Identify opportunities for further efficiency savings through better internal and external collaboration, integration of service delivery and better use of assets and infrastructures.
44. The Final Local Government Settlement for 2016/17 was received in February 2016 which was later than the usual date of December. Not having a firm figure of Aggregate External Finance (AEF) for the 2016/17 financial year caused some uncertainty, but was managed through regular consultation with the Welsh Government and prudence in the budget setting process. Cardiff experienced a 0.1% reduction in AEF which in cash terms equated to a £301,000 loss of general funding compared to 2015/16.
45. The Council's Budget for 2016/17 included a budget reduction requirement of £33 million for 2016/17, building on £113 million in the previous three years with a further £73 million requirement anticipated over the next three. A deliverable Budget Strategy has been a key document for meeting the radical changes which must continue to be made to the shape of the organisation in order for it to remain operational and resilient.
46. Consultation on the Council's 2016/17 budget proposals "Changes for Cardiff" ran from 11 December 2015 – 12 January 2016. As outlined under principle *B. Ensuring*

*openness and comprehensive engagement* of this AGS, a number of mechanisms were used to ensure the consultation was as accessible as possible.

**D. Determining the interventions necessary to optimise the achievement of the intended outcomes.**

47. To ensure decision makers are well informed, all decisions taken by Members are supported by written reports from officers which include assessments of the legal, HR and financial implications arising from the decision. Such reports address the key risks involved in particular decisions and alternative courses of action which are available. Reports also take into account the impact of economic, social and environmental wellbeing factors through the Council's Impact Screening Tool.
48. The Well-being of Future Generations Act commenced from April 2016 to improve the economic, social and environmental well-being of Wales in accordance with the detailed sustainable development principles and well-being goals that are prescribed by the Act. The Council participated in an early adopter's process in 2015/16 to facilitate understanding and preparation for the requirement of the Act. A Liveable City Policy Forum and a Performance & Governance Programme have further developed processes and performance management arrangements throughout 2016/17 to enable delivery of the Act to embed in organisational processes and decision making.
49. Consultation on draft decisions resulting from budget proposals is robust and the impact on citizens and service users is an important consideration. The Cardiff Debate and 'Changes for Cardiff' communications with citizens have been an important means of identifying and designing services to meet the needs and expectations of service users and citizens in Cardiff in the context of budgetary constraints.
50. To ensure staff are consulted and involved in decision making, various channels of communication are used including Corporate Roadshows, the Chief Executive's Update, joint updates from the Leader and Chief Executive, Core Brief, 'Our News' newsletter and 'Your Inbox' circulars. A Council Ambassador Network has employees at all levels from across the Council helping to take forward the four corporate commitments from the Employee Survey namely: Health and Wellbeing; Performance Management; Learning and Development; and Employee Voice.
51. To ensure robust project based decision making, the Council has developed a Business Case template using the Office of Government Commerce (OGC) "Five Case Model", as recommended by HM Treasury for use by Public Sector bodies. Additionally, to assist with the evaluation of alternative delivery models being considered by the Council as part of its Organisational Development Programme, a Corporate Alternative Delivery Model (ADM) Evaluation Methodology was developed by the Commissioning and Procurement Service in 2015/16. It has been made available for use throughout the financial year 2016/17 and was used robustly on an Infrastructure Services ADM project.
52. The Council has a performance management framework to facilitate and measure the delivery of priorities at City, Council, Directorate and officer levels. The framework includes statutory National Strategic Indicators together with local indicators to support a wide understanding of performance. The annual performance against these indicators is submitted to the Welsh Government to be audited as part of the revised Wales Programme for Improvement as the result of the Local Government (Wales) Measure. This framework ensures that there is alignment between Performance against the Council's targets and objectives are reported publicly on a quarterly and annual basis.

53. The Budget Strategy report for 2016/17 acknowledged the requirement for an updated approach to identifying budget targets given the extent of the financial challenge in the medium term. The budget strategy used a Reshaping the Base Budget approach to establish linkages between the Reshaping Service Programme and the Council's target operating model. It looked to initially identify the shape of services and then to understand the link to strategic priorities. Savings were then identified against the four drivers of:
- Policy led savings
  - Business Process efficiency led savings
  - Discrete Directorate led savings
  - Income/commercialisation savings
54. To provide greater confidence in the delivery of savings, once the 2016/17 directorate proposals were submitted, they were subject to progressive challenge to ensure clearer ownership, accuracy, feasibility, achievability and risk management.
55. The Wales Audit Office (WAO) conducted a review into the financial resilience in Cardiff Council in March 2016, to assess whether the council effectively manages budget reductions in order to ensure ongoing financial resilience. The conclusion was that
- 'The Council has improved its arrangements for financial planning and has sound financial control and governance arrangements but now needs to develop robust plans to support the timely delivery of its savings proposals'.*
56. The Council's financial control and governance arrangements were assessed as low risk, and financial planning as medium risk. This was consistent with the findings of the WAO follow on report published on 26 February 2016 which recognised that the Council has improved its Medium Term Financial Plan / Programme (MTFP) arrangements and had raised the profile of financial resilience but through which four specific recommendations were made to further strengthen financial planning processes.
57. The Council's risk management guidance emphasises the requirement to incorporate risk management into all levels of business, including the management of shared risks through programme, project and partnership arrangements.

**E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.**

58. The Council has put in place a commitment to effective leadership, recognised in the WAO Corporate Assessment Follow On 2016, which concluded that:
- 'The Council has put in place better arrangements to support improvements and to address longstanding issues, but is now at a critical point in embedding them if it is to achieve a step change in delivering improved outcomes'.*
59. WAO recognised a more engaged culture, with good Member and officer commitment to attending and engaging in full Council meetings. They reported a need to improve more variable Member engagement observed in Scrutiny Committee meetings, the Leader's meetings with opposition leaders, the Challenge Forum, Member Training and Member Briefing sessions. The requirement to clarify some roles and responsibilities within the Council's decision making framework was also reported.

60. The Council has developed a Statement of Action to respond to the Follow On Corporate Assessment and a Performance and Governance Programme to further develop and embed performance management arrangements.
61. The Council's has published an Annual Statutory Improvement Report, which provides a retrospective summary evaluation of performance for 2015-16 as required by the Local Government (Wales) Measure 2009. In assessing progress against Improvement Objectives, a number of sources of information were used including reviews of inspection reports, surveys, feedback, case studies and performance measures. A WAO Annual Improvement Report of May 2016 anticipated Council compliance with the requirements of the Local Government (Wales) Measure 2009 providing arrangements to support improved outcomes and embed the pace of improvement are maintained.
62. Strategic business change is delivered through the Organisational Development Programme (ODP) via two portfolios of work; i) Enabling and Commissioning Services (Led by the Corporate Director Resources) and ii) Reshaping Services (Led by the Director of Communities, Housing and Customer Services). The ODP utilises a best practice governance approach (Project Quality Assurance (PQA)) to provide effective planning, monitoring and delivery. Oversight is achieved via portfolio Programme Boards, an Investment Review Board and the Senior Management Team (SMT).
63. Decision making responsibilities and authority are clearly set out in the Council's Constitution. It documents the roles and relationships for decision making, between the Full Council, the Cabinet, Scrutiny and other Non-Executive Committees. It also details decisions delegated to senior officers through the different management tiers.
64. The Chief Executive (Head of Paid Service) is the most senior member of the Council's staff and has responsibility for overall management supported by seven Directors (Tier 1) and a number of Assistant Director / Chief Officer (Tier 2) posts. The structure in place throughout 2016/17 was supported by HayGroup benchmarking analysis in 2015 which aligned the management structure of Cardiff Council to other Core City Councils and a selection of other Unitary/City Councils of a similar size.
65. The Cabinet is the part of the Council which is responsible for most major decisions. The Cabinet is made up of the Leader elected by the Council, and up to nine other councillors whom he/she nominates for approval by the Council. The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.
66. The Council aims to ensure that Members and Officers have the skills, knowledge and capacity to discharge their responsibilities effectively and recognises the importance of well trained, competent people. All new staff and Members attend an induction programme to introduce them to the Council and its values, objectives, policies and procedures.
67. A Member Development Strategy aims to provide Members with access to a range of development opportunities to assist them in delivering their roles as Community Leaders and Council representatives. A Member Development Programme is informed by the WLGA Continuing Professional Development for Councillors Competency Framework which sets out the range of skills and knowledge required by Members. The existing programme has been in a process of review by a Member Development Steering Group during 2016/17 as part of a Member Support and Induction Project.

68. Performance is primarily evaluated through the Council's Personal Performance and Development Review (PPDR) process, which provides a framework for employees and managers to discuss work performance and behaviour as well as to identify learning and development needs. It enables employees to be clear about their roles, responsibilities and the behaviours expected of them whilst giving a clear understanding of how their job and efforts contribute to the Council's objectives. Member Personal Development Reviews are also in place to help them update their knowledge and learn new skills, where required, to be more effective in supporting their communities. The Cardiff Council Academy supports the PPDR through the provision of a number of learning and development programmes and courses.
69. An in-house Cardiff Manager Programme represents a commitment to increasing the learning and development of staff with line management responsibilities. The programme is well embedded, having trained more than 400 staff in key management and finance skills since it commenced in 2014. Approximately 220 managers have completed an ILM level 3 qualification following participating in the programme.
70. The Council's Workforce Strategy has employee health and wellbeing as a priority. The Council has signed the 'Time to Change Wales' Organisational Pledge and achieved the Corporate Health Standard – Bronze Award. An Employee Health and Wellbeing Strategy 2016-19 was approved by Cabinet in June 2016 and provides a broad framework to address barriers to wellbeing and identify ways to improve employee wellbeing. This strategy has commenced the delivery of planned wellbeing initiatives, employee support mechanisms and joint working with employees, Trade Unions and other groups and networks. A number of measures of success include staff turnover, sickness and resolution policy data, and employee survey feedback completed in quarter four 2016/17.

#### **F. Managing risks and performance through robust internal control and strong public financial management.**

71. Risk management is an integral part of strategic decision making, forming a key element of business planning, budget proposals, budget strategy, programme and project considerations. A Corporate Risk Register (CRR) is maintained and reviewed by SMT each quarter to ensure it includes key risks to the corporate vision, objectives and priorities. A Corporate Risk Map has also been used throughout 2016/17 to provide a transparent representation of the status of corporate risks and to support a proportionate management response.
72. The risk management process is led by the Information Governance and Risk Team, and supported by a nominated Member Risk Champion, Senior Officer Risk Champion and a network of Directorate Risk Champions. This process is designed to ensure clear ownership of risks which are identified, reviewed and escalated systematically each financial quarter.
73. The risk maturity of the Council has been self-assessed in 2016/17 and benchmarked through the CIPFA network. The reviews identified that the Council has a number of the characteristics of a 'risk-defined' risk maturity level. Work has now commenced to achieve those remaining characteristics in 2017/18.
74. Service delivery is monitored through risk registers and performance information and reports. The Cardiff's Statutory Improvement Report provides an annual summary of performance against Welsh Government indicators and corporate priorities and



- commitments. Projects and Programmes are monitored using PQA criteria, including use of milestones, risk and issue registers and lessons learned methodologies.
75. Decisions are made based on reports from officers which include assessments of the legal, HR and financial implications arising from the decision. Reports also take into account the impact of economic, social and environmental wellbeing factors through the Council's Impact Screening Tool.
  76. The Council's five standing Scrutiny Committees are designed to support the cabinet in providing accessible, efficient and effective services for citizens. They meet on a monthly basis to undertake pre-decision scrutiny, policy monitoring and review and launch in-depth inquiries to help the Cabinet develop and review policies and services. The majority of recommendations raised to Cabinet following Scrutiny Inquiries are fully accepted. The Council also has collaborative scrutiny arrangements with its partners. Examples include the Prosiect Gwyrdd Joint Committee, the Shared Regulatory Services Joint Committee and the Glamorgan Archives Joint Committee.
  77. The Audit Committee provides assurance to the Council on the effectiveness of its governance, risk management, and internal control arrangements through a wide ranging programme of work. The Audit Committee through its work programme has standard agenda items at each meeting which include; budgetary and financial information, treasury management, risk and governance, internal audit, external audit and operational matters. The Audit Manager reports functionally to the Audit Committee and the Council's Section 151 Officer is their principal advisor.
  78. As part of its quality assurance and improvement programme the Internal Audit Section has to measure conformance with the Public Sector Internal Audit Standards (PSIAS) which came into force in April 2013. The PSIAS is a central measure of the effectiveness of the internal audit function against the mandatory elements of the International Professional Practices Framework. An essential measure of conformance is a mandatory external assessment at least every five years. Following internal preparation, an external assessment will commence in quarter one 2017/18.
  79. Members and senior managers are provided with quarterly performance information on a balanced scorecard basis, with performance measured against performance indicators which are aligned to corporate plan priorities. The standard corporate risk scoring approach is used to measure performance and enable consistency of understanding. The financial element of the balanced scorecard quantifies variances between the budget and actual position for each directorate in respect of the overall budget position, savings delivery and staff costs.
  80. The Council has robust arrangements for internal control. The risk management policy, strategy and methodology enables consistency in risk assessments across the Council, supported by a portfolio of policies and procedures to ensure effective stewardship of public monies, address maladministration, corruption and fraud, as summarised under Principal B *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.*
  81. Effective arrangements are in place to safeguard personal data. The Corporate Director Resources is the Council's Senior Information Risk Owner, supported by a dedicated team who manage the overall Council approach to information management. An Information Governance Strategy contains a suite of information governance policies, procedures and guidance information to support compliance with the Freedom of Information Act / Environmental Information Regulations, Data Protection Act, Privacy and Electronic Communication Regulations and Protection of Freedoms Act.

82. An Information Governance Training Strategy sits alongside the Information Governance Strategy to enable clear understanding of corporate and individual responsibilities. A risk assessment determines the extent of staff training, information and support required to provide the Council and the Information Commissioner's Office with the required assurance. Members are registered with the Information Commissioner's Office as individual Data Controllers.
83. As outlined in the section on *Principle D. 'Determining the interventions necessary to optimise the achievement of the intended outcomes'* significant attention has been given to financial management to support both long term and operational performance, through medium term financial planning and robust financial resilience mechanisms. This is integrated into all levels of planning and control, and is tracked both through performance monitoring of outcomes and through the corporate risk management mechanisms.

**G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

84. The Council aims for all reports for the public and other stakeholders to be written in a fair, balanced and understandable way. This is to achieve a balance between providing full and complete information to demonstrate clear transparency without being onerous or overly complex.
85. The Council also aims for information to be easy for the Council and the public to find and use. It has adopted the Information Commissioner's model publication scheme, which sets out the classes of information that should be routinely available.
86. The Council's Annual Statutory Improvement Report evaluates performance, summarising the findings of a number of reports on performance, including corporate measures and evaluations of delivery against the What Matters, equality, sustainability and scrutiny measures.
87. The AGS is an assessment of the governance of the Council applied to the 'Delivering Good Governance in Local Government' CIPFA / SOLACE framework, as outlined in the *Assessment Process and Summary*.
88. To demonstrate accountability, Senior Management Assurance Statements (SMAS) are completed by the Chief Executive and each Director to self-assess performance against a set of governance, risks management and internal control statements. Collectively, SMT hold an Action Plan of significant governance issues, representing an open disclosure of the most prominent issues of governance which require attention. The AGS Action Plan is included in the following section.
89. The SMAS and AGS Action plan of significant governance issues are reviewed biannually by SMT, Audit Committee and the Information Governance and Risk Team. The aim is to achieve openness and transparency in Council affairs and identification, communication and management of matters which require corporate attention.
90. Annual Council meet in May of each year to establish Committees: their size, terms of reference and allocation of seats. The Council's Constitution sets out the terms of reference for each of its Committees and the decisions that can be taken by each of those Committees, and is reviewed regularly by the Constitution Committee. A number

of Committees have been appointed by Council to discharge regulatory and scrutiny services and they deliver annual reports on their performance and findings.

91. Prior to services being delivered through third parties or via joint working arrangements, the Legal Services Team assist directorates to ensure responsibilities and accountabilities for governance and risk management are adequately documented. The risk management policy strategy and methodology requires clear risk management arrangements in whichever model of service delivery is used.
92. Performance information is published against statutory NSI and PAM datasets, as set by the Welsh Government. Where these indicators and measures are relevant to the progress made against the Council's Improvement Objectives and Outcome Agreement they are included in Council's Improvement Report. This report includes ranking information to clearly and transparently show performance relative to each other Local Authorities in Wales.
93. The Council has taken steps to ensure that recommendations for corrective action made by external audit are acted upon, such as the development of a statement of action for the Corporate Assessment Follow-on published in February 2016, and targeted governance projects to deliver the required improvements. Opportunities to learn from wider studies from the WAO are taken through the use of a tracker system to identify and summarise a range of their publications for the information and consideration of the Audit Committee.
94. The Council has an effective Internal Audit Service, as supported by performance information and reporting. The Internal Audit Charter enables direct access to all officers, managers and members and requires functional reporting to the Audit Committee. Governance assessments form an element of the majority of audit engagements and the overall review of governance, risk management and control has informed the annual assurance statement from the Audit Manager. An audit recommendation follow-up process is in place to provide assurance to Audit Committee that recommendations are acted upon.
95. Peer challenges, reviews and inspections from regulatory bodies are welcomed by Cardiff Council as a means to provide assurance over service delivery or identify opportunities for improvement.

### **iii) AGS Action Plan**

96. The significant governance issues carried forward from the 2015/16 financial year and held at the 2016/17 year-end are outlined below, as collectively owned by the SMT.

**Significant Governance issues Action Plan - To be populated at the year-end position**

**Certification by the Leader of the Council and the Chief Executive**

**To be populated at the year-end position**

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**RISK MANAGEMENT INTERIM UPDATE**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 5.3**

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1. To update and inform the Audit Committee of the progress made to improve the risk maturity of the Council in 2016/17 and to provide a quarter 3 Corporate Risk Register update.
2. The Audit Committee's Terms of Reference sets out their responsibility in relation to governance, risk and control as follows.
  - To monitor and scrutinise the effective development and operation of the risk management arrangements within the Council, and;
  - To oversee progress in addressing risk-related issues reported to the Committee, such as the Corporate Risk Register (CRR).

**Background**

3. In September 2016, Audit Committee was provided with a risk management update following an officer self-review of Council risk maturity. This review identified that the Council had a number of the characteristics of a 'risk-defined' risk maturity level with good risk awareness in place. The update outlined how achieving the remaining characteristics of a 'risk-defined' maturity would be the focus of the work going forward.
4. Following the update to Audit Committee, the Council participated in a CIPFA Risk Management Benchmarking Club. The assessment was made using Alarm's National Performance Model, which is based on the HM Treasury 'Risk Management Assessment Framework' (2002), with results received in November 2016. These results supported the accuracy of the original self-assessment.
5. With the knowledge that the Council has good risk awareness and well defined risk management arrangements, the aim is to use this as the basis to further enhance risk maturity. This year there has been a focus on consistency and accountability by firstly validating the composition and risk assessments on the corporate risk register, followed by refining operational risk management and escalation processes.

**Issues**

Risk Management Initiatives

6. To gain assurance on the consistency of corporate risk reporting and assessment, a workshop was held with the Risk Champion Network in July 2016. The workshop focused on identifying potential gaps or inconsistencies in risk identification and assessment. Findings were communicated to the Senior Management Team (SMT) and

the Risk Management Steering Group. Following this exercise, risk assessment guidance was provided to all Directors to encourage consistency in framing and assessing risks. The work of the Risk Champions and the issued guidance were taken into account in the CRR quarter 2 review 2016/17. The review resulted in a number of changes to the risk register, as reported to Audit Committee on 29 November 2016.

7. With greater assurance on the consistency of corporate risk reporting, focus has turned to directorate risk management and the risk escalation process. The process of escalating risks has historically been managed within directorates, subject to periodic spot checks. The Risk Management Team is now focusing on becoming a central point for both directorate and corporate risk reporting each quarter. The aim is to ensure that there is timely and accurate risk identification and reporting by managers, with clear accountability for proportionate management action.
8. A revised risk reporting process has been introduced commencing in March 2017. It requires all directorate risk registers to be provided to the Risk Management Team each quarter. Existing corporate risks will continue to be reviewed by Directors and reported quarterly, but Appendix A captures the formalised process for reviewing and reporting directorate risks. It requires that:
  - There are robust directorate risk reviews at least quarterly;
  - As a minimum, each Director receives and personally reviews all directorate risks; assessed as 'red' and 'red/amber' each financial quarter;
  - As a minimum, each Director escalates all 'red' risks to SMT each financial quarter;
  - SMT will receive and discuss all escalated risks quarterly;
  - The existing review processes at SMT will continue, with the management of material risks to the Council's vision, priorities and objectives reported through the CRR and operational risks reported through directorate risk registers.
9. Audit Committee will be provided with an update on the CRR year-end position 2016/17 in June 2017. At this time information will be provided on the decisions made by SMT on the risks which were escalated.

### Corporate Risk Register

10. The Corporate Risk Register (CRR) was last reviewed at the Senior Management Team (SMT) in January 2017 at the quarter 3 position 2016/17. The Corporate Risk Map is included in Appendix B, with the CRR summary and detailed versions included in Appendix C and D respectively.
11. Since the last Audit Committee CRR update on 29 November 2016 a corporate risk has been in development on Cyber Security. This risk was discussed at Risk Management Steering Group and SMT in January 2017 and is being assessed and drafted for inclusion on the CRR at the year-end position.
12. At the Q3 position, the Waste Management risk was reduced from 'Red' (B2) to 'Red / Amber' (C2), in recognition of the progress made in managing the risk to date. The rest of the risk ratings remained unchanged from the previous quarter.

### **Legal Implications**

13. There are no direct legal implications arising from this report. However, one of the benefits of identifying risk is that mitigation measures may be taken, if appropriate, and

consequently successful claims against the Council may be avoided altogether, or reduced.

### **Financial Implications**

14. There are no direct financial implications arising from this report. The Corporate Risk register will be used to guide the Internal Audit Plan and the Council's resource planning processes and forms an important part of the governance arrangements for the Council.

### **Recommendation**

15. Audit Committee to note and comment upon the Corporate Risk Register and developments to the risk management process, and to consider the information given in the programming of its work.

### **CHRISTINE SALTER CORPORATE DIRECTOR RESOURCES**

The following Appendices are attached:

- Appendix A** - Risk Management Quarterly Review Process
- Appendix B** - Corporate Risk Map - Q3 2016/17 Position
- Appendix C** - Corporate Risk Register - Q3 2016/17 Summary
- Appendix D** - Corporate Risk Register - Q3 2016/17 Detailed

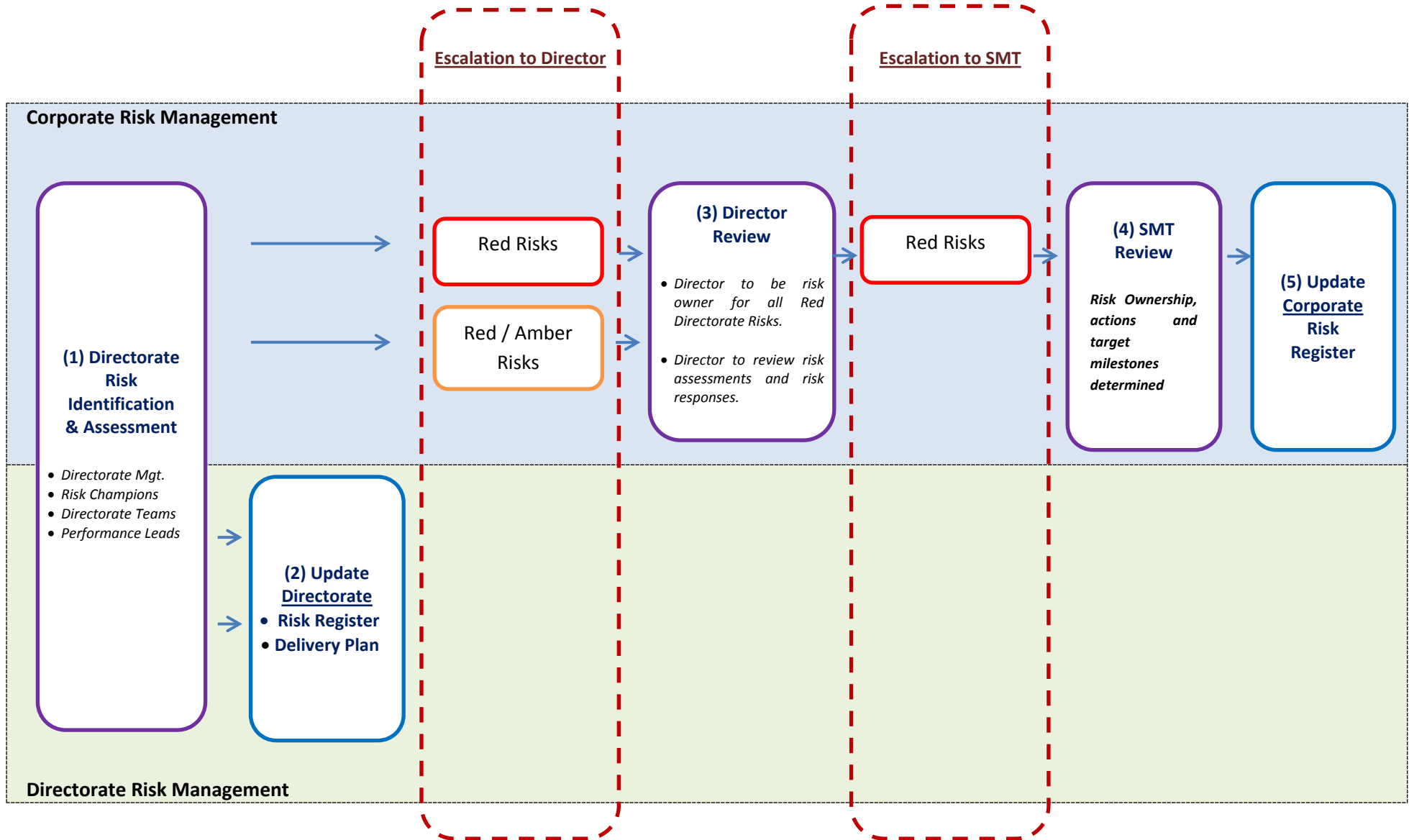
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# Risk Management Quarterly Review Process

APPENDIX A

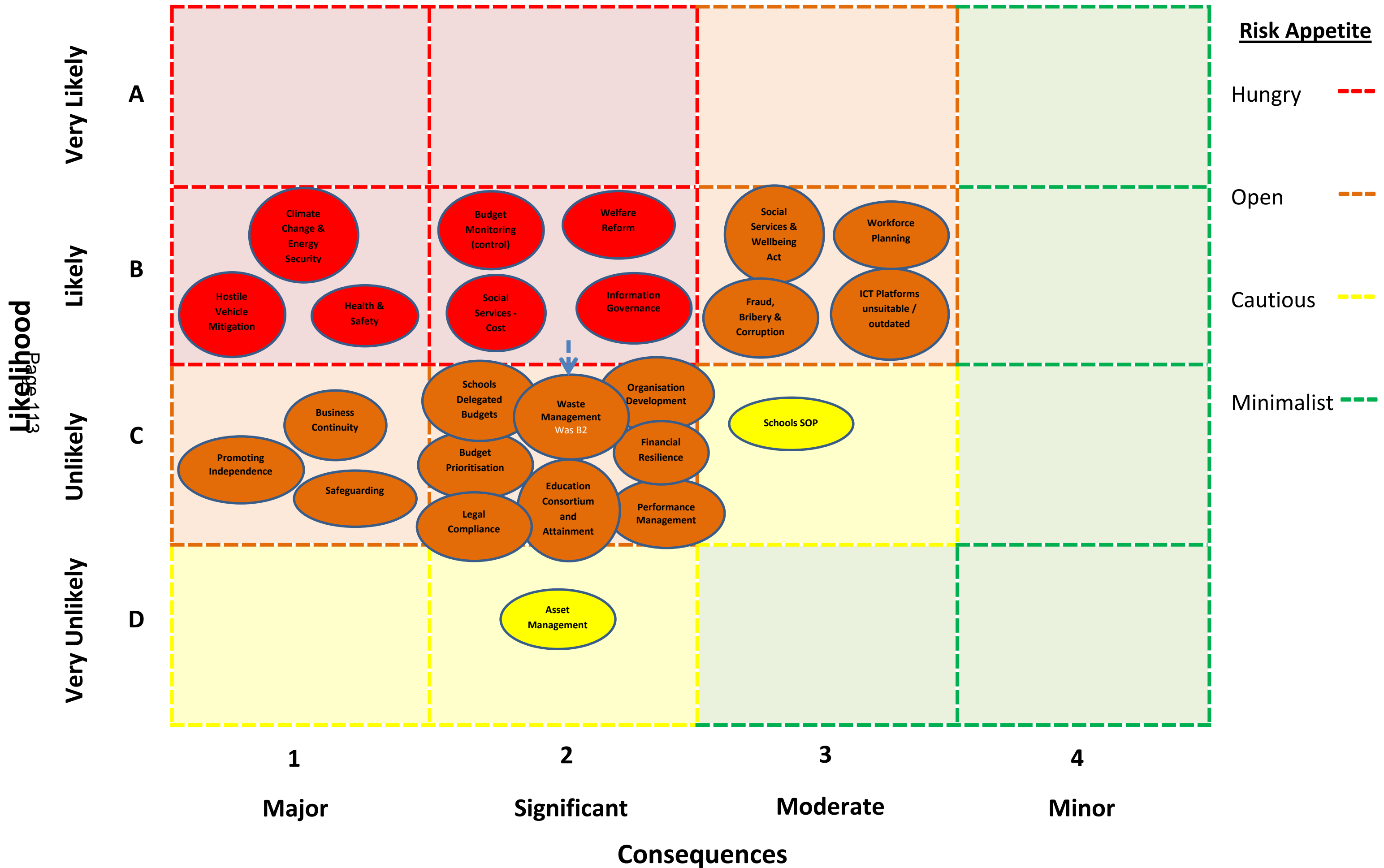
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# Corporate Risk Register – 2016/17 (Quarter 3 Position)

Appendix B



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Risk Description	Inherent Risk	Residual Risk	Risk Owner	Cabinet Member
<b>EVENT DRIVEN RISKS</b>				
<b>Social Services and Wellbeing (Wales) Act</b> Failure to implement the Social Services & Wellbeing (Wales) Act 2014.	High Priority B1	Medium Priority (Red/Amber) B3	Tony Young	<b>Councillor Sue Lent</b> , Deputy Leader - Early Years, Children & Families  <b>Councillor Susan Elsmore</b> Health, Housing & Wellbeing
<b>Hostile Vehicle Mitigation in Cardiff</b> Vehicle Borne Improvised Explosive Device (VBIED) detonating in an area identified as a high risk crowded place, as a result of the inappropriate boundary treatments and access control processes protecting and managing it.	High Priority A1	High Priority B1	Andrew Gregory	<b>Councillor Ramesh Patel</b> Transport, Planning & Sustainability
<b>Welfare Reform</b> That the Council cannot meet its statutory obligations with the increased demands and reduced budgets placed upon it by the Welfare Reform including: Universal Credit, further reduction in Benefit Cap, size restrictions for social tenants and restriction of social housing rents to LHA levels. Lack of information, short timescales for implementation and the large number of citizens affected makes these changes a significant risk.	High Priority A2	High Priority B2	Sarah McGill (Jane Thomas)	<b>Councillor Susan Elsmore</b> Health, Housing & Wellbeing
<b>Waste Management</b> Failure to achieve targets for Landfill allowance, specifically for Biodegradable Municipal Waste and WG statutory Recycling Targets. Ineffective delivery of recycling targets and residual waste treatment. Failure to comply with EU recycling waste directive.	High Priority B1	Medium Priority (Red/Amber) C2	Neil Hanratty	<b>Councillor Bob Derbyshire</b> Environment
<b>Education – Schools - SOP</b> Large scale Capital Programme (£164m) with tight timescales for delivery, in context of very rapidly growing primary age school population.	High Priority B1	Medium Priority (Amber/ Green) C3	Nick Batchelar (Janine Nightingale)	<b>Councillor Sarah Merry</b> Education
<b>ONGOING RISKS</b>				
<b>Education Consortium &amp; Attainment</b> The Central South Consortium does not deliver effective services that challenge and support Cardiff schools to improve and Educational Attainment does not improve at the required rate.	High Priority B1	Medium Priority (Red/Amber) C2	Nick Batchelar (Angela Kent)	<b>Councillor Sarah Merry</b> Education
<b>ICT Platforms Unsuitable/ Outdated</b> The ICT platforms (desktop, software, network, servers, and telephones) will not be able to support the technologies required by the corporate change programme and deliver effective service to the council, or will not provide a reliable service due to age and condition of equipment and systems.	High Priority A2	Medium Priority (Red/Amber) B3	Christine Salter (Phil Bear)	<b>Councillor Graham Hinchey</b> Corporate Services & Performance
<b>Safeguarding</b> Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners.	High Priority B1	Medium Priority (Red/Amber) C1	Tony Young & Davina Fiore	<b>Councillor Sue Lent</b> , Deputy Leader - Early Years, Children & Families  <b>Councillor Susan Elsmore</b> Health, Housing & Wellbeing  <b>Councillor Graham Hinchey</b> Corporate Services & Performance
<b>Budget prioritisation</b> Failure to deliver the statutory obligation of setting a balanced annual budget and a fully informed Medium Term Financial Plan which takes into account statutory budget planning obligations (compounded by the risk of only receiving annual settlement figures from the Welsh Government).	High Priority A1	Medium Priority (Red/Amber) C2	Christine Salter (Ian Allwood)	<b>Councillor Graham Hinchey</b> Corporate Services & Performance
<b>Financial Resilience</b> The Financial resilience of the Council over the medium term is significantly weakened so that it is financially unable to discharge its statutory obligations and services to the citizens of Cardiff.	High Priority A1	Medium Priority (Red/Amber) C2	Christine Salter (Ian Allwood)	<b>Councillor Graham Hinchey</b> Corporate Services & Performance
<b>Budget Monitoring (Control)</b> Failure to achieve the budget set, inclusive of budgeted spend and savings across Directorates, with increased use of emergency finance measures and the drawdown of reserves.	High Priority A1	High Priority B2	Christine Salter (Allan Evans)	<b>Councillor Graham Hinchey</b> Corporate Services & Performance
<b>Health and Safety</b> Ineffective compliance of health and safety through poor application and embedding of the 'Framework for Managing Health and Safety in Cardiff Council.	High Priority A1	High Priority B1	Christine Salter	<b>Councillor Graham Hinchey</b> Corporate Services & Performance
<b>Climate Change &amp; Energy Security</b> Un-preparedness to the effects of climate change due to lack of future proofing for key (social and civil) infrastructure and business development, and inability to secure consistent energy supply due to rising energy costs and insecurity of energy supply.	High Priority B1	High Priority B1	Andrew Gregory	<b>Councillor Bob Derbyshire</b> Environment
<b>Information Governance</b> Information handled inappropriately leaves the Council exposed to intervention and financial penalties issued by the Information Commissioner (ICO). This includes information held by Cardiff Schools.	High Priority A1	High Priority B2	Christine Salter (Vivienne Pearson)	<b>Councillor Graham Hinchey</b> Corporate Services & Performance
<b>Social Services - Costs</b> Failure to reduce the cost of delivering social services.	High Priority B1	High Priority B2	Tony Young	<b>Councillor Sue Lent</b> , Deputy Leader - Early Years, Children & Families
<b>Promoting Independence</b> Failure to sustain an effective whole system approach that enables adults with significant health needs to remain in, or return to, their own homes and reduces the need for / length of hospital stays.	High Priority B1	Medium Priority (Red/Amber) C1	Tony Young	<b>Councillor Susan Elsmore</b> Health, Housing & Wellbeing
<b>Performance Management</b> A performance management culture is not embedded within the Council leaving the Council exposed to intervention by Welsh Government in line with the Local Government (Wales) Measure 2009 and associated requirements.	High Priority B2	Medium Priority (Red/Amber) C2	Christine Salter (Joe Reay)	<b>Councillor Graham Hinchey</b> Corporate Services & Performance
<b>Organisation Development</b> OD projects fail to deliver the radical change required to deliver efficiency savings and service changes, due to service and resource pressures.	High Priority B1	Medium Priority (Red/Amber) C2	Christine Salter (Dean Thomas)	<b>Councillor Graham Hinchey</b> Corporate Services & Performance
<b>Business Continuity</b> Large scale incident/loss affecting the delivery of services.	High Priority B1	Medium Priority (Red/Amber) C1	Christine Salter	<b>Councillor Phil Bale</b> , Leader – Economic Development & Partnerships
<b>Education – Schools Delegated Budgets</b> Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans, impacting on the overall budgets for all schools.	High Priority A2	Medium Priority (Red/Amber) C2	Nick Batchelar (Neil Hardee)	<b>Councillor Sarah Merry</b> Education
<b>Legal Compliance</b> Changes in services and staff roles across the Council resulting in: - gaps in Council wide knowledge of the local authority framework of responsibilities and duties within which we have to operate; - inability to deliver the services in accordance with all duties and responsibilities due to lack of resource:  In each case leading to increased risk of challenges.  Reduction and changes in front-line services, discretionary and statutory, will lead to increased risks of challenge from users and other stakeholders affected.	High Priority B2	Medium Priority (Red/Amber) C2	Davina Fiore	<b>Councillor De'Ath</b> Skills, Safety & Engagement
<b>Fraud, Bribery and Corruption</b> Fraud, financial impropriety or improper business practices increase as internal controls are weakened as resources become severely stretched.	High Priority B2	Medium Priority (Red/Amber) B3	Christine Salter (Ian Allwood)	<b>Councillor Graham Hinchey</b> Corporate Services & Performance

Risk Description	Inherent Risk	Residual Risk	Risk Owner	Cabinet Member
<b>Asset Management</b> Ensure effective operation of the Council's Asset Management Board to achieve effective strategic oversight and identified savings.	<b>High Priority B2</b>	<b>Medium Priority (Amber/Green) D2</b>	<b>Neil Hanratty</b>	<b>Councillor Phil Bale,</b> Leader – Economic Development & Partnerships
<b>Workforce Planning</b> Importance of forecasting and planning to build capability and capacity for the future is not fully recognised and embedded.	<b>Medium Priority (Red/Amber) B3</b>	<b>Medium Priority (Red/Amber) B3</b>	<b>Christine Salter (Philip Lenz)</b>	<b>Councillor Graham Hinchey</b> Corporate Services & Performance

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
<b>EVENT DRIVEN RISKS</b>										
<p><b>Social Services and Wellbeing (Wales) Act</b></p> <p>Failure to implement the Social Services &amp; Wellbeing (Wales) Act 2014.</p>	<p>Reputational / Financial / Stakeholders / Service delivery / Legal / Partnership / Community</p> <ul style="list-style-type: none"> <li>Legal challenge around interpretation of 'duties' under the 'wellbeing' concept.</li> <li>Increases in demand, or service offer, stimulated by new duties under the Act.</li> <li>Social care sector staff not sufficiently trained to implement Act from 6<sup>th</sup> April 2016.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>Governance arrangements in place to ensure effective monitoring of progress across the region.</li> <li>Senior lead officers identified with responsibility for each work stream.</li> <li>Regional task and finish groups established for each work stream and action plans being delivered.</li> <li>Director leading workforce development planning for the region.</li> <li>Officers contributing to national work groups as required.</li> <li>Regular reports to Scrutiny Committee with references to Cabinet in place.</li> <li>Director leading workforce development planning for the region.</li> <li>DEWIS launched and implemented.</li> <li>Growth identified as part of 2016-17 budget.</li> <li>Joint approaches to developing opportunities across Cardiff, the Vale of Glamorgan and University Health Board (UHB) closely monitored through the regional Strategic Leadership Group.</li> <li>Regional Partnership Board commenced April 2016</li> <li>Establishment of the Regional Implementation Plan.</li> </ul>	B	3	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>Potential growth bid for 2017/18 currently being assessed.</li> </ul>	<p><b>Tony Young</b></p> <p><b>Councillor Sue Lent, Deputy Leader - Early Years, Children &amp; Families</b></p> <p><b>Councillor Susan Elsmore - Health, Housing &amp; Wellbeing</b></p>
<p><b>Hostile Vehicle Mitigation in Cardiff</b></p> <p>Vehicle Borne Improvised Explosive Device (VBIED) detonating in an area identified as a high risk crowded place, as a result of the inappropriate boundary treatments and access control processes protecting and managing it.</p>	<p>Service Delivery / Reputation / Legal / Financial / Health &amp; Safety / Financial / Partnership / Community &amp; Environment / Stakeholders</p> <p>Potential for:-</p> <ul style="list-style-type: none"> <li>Large no's of fatalities, injuries to public in crowded place.</li> <li>Extensive structural damage and/or collapse of surrounding buildings.</li> <li>Major fire.</li> <li>Damage/disruption to utilities (gas, electricity, water etc.)</li> <li>Immediate impact to businesses in the Cardiff area.</li> <li>Media coverage affecting public perception, leading to a loss of public confidence directly resulting in reduced business, retail and tourism revenues generated in the city.</li> <li>Area to be viewed as a risk for potential future business investment.</li> <li>Inability to attract major future national and international events (political, sporting etc.)</li> <li>Increase in demand for council services/support for all affected.</li> <li>Current economic climate to reduce the effectiveness of any recovery/regeneration of the area</li> </ul>	A	1	High Priority	<ul style="list-style-type: none"> <li>All existing identified high risk; crowded places have been formally assessed.</li> <li>Most crowded places have an extremely limited and in some cases 'third party managed' access control process to operate them; providing little/no challenge.</li> <li>Most crowded places have varying standards of boundary treatments protecting them; providing a limited/cursory visual deterrent but little/no protection from a hostile vehicle.</li> <li>CONTEST Protect/Prepare Task &amp; Finish Group maintains the City Gateways Public Realm Enhancement Scheme, with agreed options for suitable PAS 68/69 mitigation for appropriate boundary locations; referred to as 'gateways'.</li> <li>19 (38%) of the identified 'gateways' into the crowded places already benefit from PAS 68/69 mitigation in place, implemented as a direct result of Home Office (Crowded Places) and Olympic Legacy funding.</li> <li>The estimated cost for the procurement and installation of the PAS 68/69 mitigation and ancillary services is £3.6 Million.</li> <li>Work is ongoing with City Operations to advise developers across the city in relation to appropriate mitigation required.</li> <li>The Cardiff City Centre Access Control Protocol is currently operating at the heightened response level, reflecting the UK National Threat Level; permitting vehicles onto the pedestrianised areas within Cardiff City Centre using strict parameters.</li> <li>The Tabernacle Access Control Document is fully operational and sits and as an annex document to the main City Centre Access Control Protocol. It enables the Urban Traffic Control Officers to better manage Tabernacle 'users', covering their requirements whilst adhering to the existing Traffic Regulation Order.</li> <li>Wales Extremism and Counter Terrorism Unit (WECTU) Counter Terrorist Security Advisor's (CTSA's), the Emergency Services &amp; Cardiff Council provide Project Argus and EVAC/Griffin training across the city to raise awareness for likely impacts associated with major incidents and in particular, terrorist attacks. The sessions also cover the support likely to be immediately available from the emergency services and Cardiff Council, the practical and simple preparations people/organisations can make prior to incident occurring to help themselves manage and recover from its impacts.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>The CONTEST Protect/Prepare Group will continue to monitor and review the scheme to ensure it is fit for purpose until it is fully installed.</li> <li>The CONTEST Protect/Prepare Group will give a status report to the Cardiff CONTEST Board</li> <li>The CONTEST Board will continue to try and identify external funding sources/opportunities from Welsh Government, Central Government to conclude scheme and appropriately mitigate the risk.</li> <li>City Operations to commence a small Working Group to look at short term and longer terms options to deliver the strategy or provide mitigation as funding sources/opportunities from third parties has not been identified. The City continues to hold World Events such as the Champions League final in 2017 and therefore the risk remains.</li> </ul>	<p><b>Andrew Gregory</b></p> <p><b>Councillor Ramesh Patel – Transport, Planning &amp; Sustainability</b></p>



Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
<p><b>Welfare Reform</b></p> <p>That the Council cannot meet its statutory obligations with the increased demands and reduced budgets placed upon it by the Welfare Reform including: Universal Credit, further reduction in Benefit Cap, size restrictions for social tenants and restriction of social housing rents to LHA levels. Lack of information, short timescales for implementation and the large number of citizens affected makes these changes a significant risk.</p>	<ul style="list-style-type: none"> <li>Private landlords stop renting to benefit claimants</li> <li>Social housing rents become unaffordable to some claimants, in particular those under 35 and with large families.</li> <li>Increased homelessness and demand for temporary accommodation</li> <li>Increased rent arrears, increased evictions</li> <li>Redeployment / Severance for 140 staff</li> <li>Changing demands on Council stock resulting in increased voids and/or undersupply of smaller properties.</li> <li>Barriers to building additional affordable housing Supported accommodation becomes unaffordable impacting on social services and vulnerable homeless clients.</li> </ul>	A	2	High Priority	<ul style="list-style-type: none"> <li>Communities staff continue to work closely with private landlords and advice agencies to mitigate wherever possible the reduction in benefit. To date private landlords have not withdrawn from the benefits market in large numbers but changes in the economy could influence this in the future so this will continue to be monitored closely.</li> <li>Discretionary Housing payments are being used to top up the benefit claims of those most affected by the changes and to pay rent in advance and bonds to help tenants to move accommodation where necessary.</li> <li>Timely information is being given to claimants to help them respond to the changes.</li> <li>A streamlined process is in place for re-housing tenants who need to downsize as a result of the social housing size restrictions. DHP is being used to pay removal costs and to cover shortfall while tenants are waiting to move.</li> <li>A new Welfare Liaison team has been created within the housing service to assist tenants affected by the changes. Work is underway to identify those affected by the reduced Benefit Cap and to advise them accordingly.</li> <li>The number of properties becoming vacant has increased as a result of Welfare reform and this combined with other issues has resulted in a significant increase in void rent loss. Work is being done to encourage exchanges rather than transfers.</li> <li>Universal Credit has commenced in Cardiff, very small numbers affected. The scheme has been changed to include more information sharing for landlords and this should offset some of the risk. The council is providing face to face services on behalf of the DWP including digital inclusion and budgeting advice.</li> <li>The implications of the restriction of social housing rents to LHA rate are being considered in partnership with RSLs and options for providing shared / low cost housing are being considered. Work is ongoing to review supported housing schemes and prioritise this ahead of the changes.</li> <li>The Advice Hub in Central Library is providing comprehensive advice services for those affected by Welfare Reform.</li> <li>The Welfare Reform Task Group is working well in coordinating multi-agency activity and developing appropriate interventions during a difficult transition period for many people affected.</li> <li>Briefings continue to be provided to Members on Welfare Reform and further information is sent as appropriate.</li> <li>Digital inclusion training and banking support has been successfully implemented and will continue to be monitored.</li> <li>Work is ongoing providing face to face services to Universal Credit claimants through the City Centre Advice Hub.</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>Additional resource has been agreed for supporting council tenants with the Universal Credit changes, staff have been recruited to assist with this and the new team is working well.</li> <li>Work has been undertaken to cost the potential risks of Universal Credit and this will continue to be updated as the more information is known.</li> <li>Working groups are ongoing to support social tenants affected by ongoing Benefit Caps, involving RSLs, childrens services, families first and a range of other partners who may be able to help support these families.</li> <li>Regular meetings are held with social housing providers to monitor and improve processes.</li> <li>DHP spend is being monitored carefully, to date spend is within budget. Work is ongoing to establish how the fund can best help those affected by the decreased benefit Cap.</li> <li>Work has been carried out on the impact of possible council rent decreases on the HRA business plan and discussion is ongoing with social landlords about the impact of possible rent decreases on future housing development. Currently this does not apply in Wales.</li> <li>The impact of the changes to rent levels for under 35 is currently under review with all social landlords considering how they can contribute to a solution to this issue. At present all are continuing to house young applicants as normal.</li> </ul>	<p>Sarah McGill (Jane Thomas)</p> <p>Councillor Susan Eismore – Health, Housing &amp; Wellbeing</p>
<p><b>Waste Management</b></p> <p>Failure to achieve targets for Landfill allowance, specifically for Biodegradable Municipal Waste and WG statutory Recycling Targets. Ineffective delivery of recycling targets and residual waste treatment. Failure to comply with EU recycling waste directive.</p>	<p>Reputational / Financial / Stakeholder / Service delivery / Legal / Environmental / Community</p> <ul style="list-style-type: none"> <li>Significant financial penalties for failure at up to £200/tonne or incorrectly capture tonnage data</li> <li>Procure disposal elsewhere with additional costs.</li> <li>Reputation damage</li> <li>Increased costs of landfill and alternative treatment markets</li> <li>Risk to grant funding (currently £6.9m 2016/17), potential in year cuts, future year grant reductions and changing terms and conditions</li> <li>No MTFP for future grant funds or capital confirmed by WG</li> <li>Reducing Grants; reducing market values for recyclates; market collapse for recycling outlets</li> <li>Risk of legal challenge</li> </ul>	B	1	High Priority	<p><b>Policies / Strategy</b></p> <ul style="list-style-type: none"> <li>Previous updates contain the policy position improvements between 2008-2015.</li> <li>Waste Management Strategy 2011-2016 was approved on 13th Jan 2011 and was revised and approved in April 2015.</li> <li>Several progress reports have been made to Cabinet and Environmental Scrutiny in that period.</li> <li>Monthly performance tracking of recycling has been established to help predict the end of year position.</li> <li>Steps taken to improve MRF processing rates means less waste to treatment.</li> <li>Commercial recycling centre opened March 2014, its performance is increasing with more commercial HWRC being identified.</li> <li>Focus on pre-sort on the HWRCs is showing improvements in site recycling.</li> <li>Restrictions to Cardiff domestic householders have reduced tonnage profiles in qu4 of 2015/16.</li> </ul> <p><b>Contracts / Projects</b></p> <ul style="list-style-type: none"> <li>Several Contracts have been put in place for additional materials to be recycled from the HWRC's.</li> <li>Interim contract in place for disposal of biodegradable green/food waste</li> <li>A flexible Interim Disposal Contract in place with Biffa for 2-10 years; commenced April 2009.</li> <li>Aggregate recycling is now in place.</li> <li>Recycling litter bins are in place in the city centre.</li> <li>New initiatives such a charging for bulky waste, commercial recycling centre, sweepings, mattress and carpet recycling schemes are all underway.</li> <li>New HWRC delivery model is underway.</li> <li>New free reuse and recycling bulky collection services strated 2016.</li> </ul> <p>This year, placing the focus on pre-sort high quality recycling and removing the reliance on post sorting of waste.</p>	C	2	Medium Priority (Red/Amber)	<p><b>Risk of Fines</b></p> <ul style="list-style-type: none"> <li>The targets for statutory recycling in 16/17 is 58%, 64% to be achieved by 2019/20, therefore, the risk rating remains high, due to seasonality and risk of recycling market collapse.</li> <li>Risk remains high that recycling performance and weather impacts on green waste could lead to a status quo in recycling performance or at worse a drop in performance</li> <li>The risk of failing the biodegradable limits to landfill has been minimised due to the current disposal route.</li> <li>Waste growth and commercial expansion remains a challenge as it brings in new residual waste.</li> <li>Must ensure correct recording of waste tonnages from Neighbourhood Services to ensure exclusion of waste that was not previously counted towards the targets.</li> <li>Secondary recycling is underway on some trial loads of residual waste to see if further recycling can be achieved.</li> </ul> <p><b>Policy / Strategy</b></p> <ul style="list-style-type: none"> <li>The outline waste strategy has been approved by Cabinet April 2015. The first phase of reducing residual waste capacity to force higher dry recycling and food and green waste recycling was completed in 15/16. Flats Strategy to improve waste and recycling collections from flats is designed to enable greater recycling and food waste from hard to capture areas, to be implemented in 2016/17. This included a business case on current recycling methods.</li> <li>The sweepings contract is secured and operating.</li> <li>Exploring reuse partners, Market test and initial procurement was not successful, so further work is required to secure a partner. First phase of the strategy was delivered in December 2016, which was the free reuse and recycling bulky collection service.</li> <li>Working with other Local Authorities to explore TEEP business cases and/or exploring joint working options</li> </ul>	<p>Neil Hanratty</p> <p>Councillor Bob Derbyshire - Environment</p>



Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
					<p><b>Prosiect Gwyrdd</b> Financial Close occurred December 2013 Viridor are the appointed contractor which commenced Sept 2015. Removes risk of failing biodegradablke waste limit to landfill</p> <p><b>Organic procurement</b> The procurement of a processing facility for food and green waste was completed for both Cardiff and the Vale of Glamorgan. The new facility will be operational in 2016, whilst the interim arrangements remain in place.</p> <p><b>Household &amp; Commercial Waste Collections</b> Household Waste collections were changed further towards the WG recycling blueprint is now underway by changing to: smaller fortnightly black (with accompanying hygiene services) and weekly food and dry recycling and fortnightly green waste. National government discussions on comingled recycling remain an issue and further modelling on the best option for Cardiff will be completed in 2016/17.</p> <p><b>Collaboration work</b> Working and engaging with Welsh Government on legal and policy changes.</p>				<ul style="list-style-type: none"> <li>Delays have been experienced in the HWRCs changes, which will reduce the recycling potential and waste minimisation activities that were planned for 2016/17 onwards.</li> </ul> <p><b>Contracts / Projects</b></p> <ul style="list-style-type: none"> <li>Progress the Organic procurement is to timescale to SCD of 01/04/17. Interim contracts remain in place.</li> <li>An Contract for residual treatment is in place for when the landfill closes and to ensure LAS targets are met and tax avoided wherever possible.</li> <li>New markets for carpets and mattresses are being explored</li> </ul> <p><b>Project Gwyrdd</b></p> <ul style="list-style-type: none"> <li>Financial Close occurred December 2013, service commencement started 01 April 2016, all risks regarding treatment and recycling of the ash (IBA) derived from residual now lie fully with the contractor.</li> <li>To help secure 2015/16 IBA, recycling began in 15/16 to secure additional recycling tonnages. Furthermore, for 2016/17, the contractor has secured recycling for flue gas residues which will offer a further 1%.</li> </ul> <p><b>Collections</b></p> <ul style="list-style-type: none"> <li>Commercial waste operations have refined the marketing package for recycling in the commercial sector to increase recycling from commercial waste collected by the Waste Collection Authority that is included in the total MSW (and therefore relevant to statutory targets).</li> <li>Set and achieve new commercial recycling opportunities for new materials and new income opportunities – targeting commercial food collections and schools.</li> </ul> <p><b>MRF</b> A high risk remains in the materials market fluctuations influenced by world-wide pricing affecting the volume of material recycled. In 15/16 Glass market impacts severely risked several 1000's tonnes of glass, this situation was recovered but highlights the ongoing volatility and risk to meeting statutory targets. Markets remain weak in 16/17.</p>	

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
<p><b>Education – Schools - SOP</b></p> <p>Large scale Capital Programme (£164m) with tight timescales for delivery, in context of very rapidly growing primary age school population.</p>	<p>Reputational / Legal / Financial / Social / Stakeholder / Health &amp; safety.</p> <ul style="list-style-type: none"> <li>Insufficient primary places in some areas of the City.</li> <li>Further degeneration of school buildings</li> <li>Reducing educational standards.</li> <li>Project cost and time overruns</li> <li>Risk that Welsh Government do not approve individual project funding if not satisfied with Business Cases.</li> <li>Difficulties associated with data source and production could undermine proposals and stakeholder trust in the SOP change process</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>A significant proportion of the Schools Organisation Programme has been delivered to date including:- <ul style="list-style-type: none"> <li>A new Pontprennau Primary School</li> <li>Refurbishment to Millbank Primary School</li> <li>An extension to Adamsdown Primary School</li> <li>An extension to Coed Glas Primary School</li> <li>An extension to Ysgol Y Wern</li> <li>New Science Block at Fitzalan High</li> </ul> </li> <li>These address in the main the sufficiency issues in the Primary Sector.</li> <li>The Procurement of the new Easten High School, in partnership with Cardiff &amp; Vale College is complete, the construction contract signed for £26m with Willmott Dixon and the buildings works commenced on site.</li> <li>The procurement of the 3 new primary school buildings for Howardian Primary, Ysgol Hamadryad and Ysgol Glan Morfa is complete, at £13.5m with Morgan Sindell. The schools are currently being designed and will be submitted for planning approval in January 2017.</li> <li>The procurement of the new High School in the West has commenced with a contractor being appointed to design &amp; building the school in January 2017.</li> <li>Assets being considered corporately to maximise the opportunity to focus funds realised within the Council and through other sources on fewer high quality buildings.</li> <li>Extensive work on the 21<sup>st</sup> Century Schools Band B funding now to take place during 2016 to submit progress to WG in Autumn 2017.</li> <li>Restructure of team completed.</li> </ul>	C	3	Medium Priority (Amber/Green)	<p>All risks being monitored and reported to Schools Programme Board.</p> <ul style="list-style-type: none"> <li>'Turn Key solutions' being progressed on all new school builds i.e. one contract, single point of management and responsibility</li> <li>Two step procurement methods being undertaken on all procurements</li> <li>Standardised design methods being used where possible</li> <li>Continued active dialogue with Welsh Government and other professional parties to support progress and development</li> <li>Prioritise population data development to support accurate projections and forecasts for existing resident populations and to support effective s106 negotiations going forward</li> <li>Ensure consistent monitoring and reporting of all risks to Schools Programme Board.</li> <li>Capacity strengthened in SOP Team.</li> </ul>	<p>Nick Batchelar</p> <p>(Janine Nightingale)</p> <p>Councillor Sarah Merry - Education</p>
<b>ONGOING RISKS</b>										
<p><b>Education Consortium &amp; Attainment</b></p> <p>The Central South Consortium does not deliver effective services that challenge and support Cardiff schools to improve and Educational Attainment does not improve at the required rate.</p>	<p>Reputational / Legal / Financial.</p> <ul style="list-style-type: none"> <li>Budget implications.</li> <li>Educational standards falling behind other LA's.</li> <li>Potential impact on Estyn judgement for LA.</li> <li>Intervention from WG</li> </ul>	B	1	High Priority	<p>The authority has made satisfactory progress against the Estyn recommendation that relates to the Central South Consortium.</p> <p>Estyn reported in March 2016 that Overall, Cardiff schools are being challenged more rigorously and supported more effectively to improve. There have been improvements in most of the outcome indicators at all key stages, although the performance of a few of Cardiff secondary schools is still a significant concern. The work of the school improvement service commissioned from the regional consortium is based on clear priorities and a good understanding of Cardiff schools. Since the monitoring visit in 2014, the local authority has worked well with its schools to engage school leaders and to develop a change in culture in which schools are more aware of their responsibility for their own improvement.</p> <p>In February 2016, following their inspection of the Central South Consortium, Estyn reported that the Consortium had a clear vision and strategy to improve schools that is understood by most stakeholders and underpins support for school improvement well. The consortium works well with its local authority partners to share information about the performance of schools across the region, and to identify schools causing concern.</p> <p>There is a strong working relationship between the local authority and the regional consortium. The local authority has moderated the outcomes of categorisation in partnership with the regional consortium, and this has led to a more accurate view of school performance, an improved model of differentiated support and challenge, and earlier intervention in schools causing concern.</p> <p>The performance management and quality assurance of the work of challenge advisers is now more systematic, and the authority has taken robust steps to improve practice where underperformance is identified. There are robust processes to quality assure the reports of challenge advisers, and this has led to an improvement in the consistency and precision of their reports. Processes to validate judgements through the</p>	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>Officers will continue to ensure the agreed commissioning arrangements are refreshed and delivered and impact positively on the performance of schools.</li> <li>Education Directorate delivery plan now refreshed with clear accountabilities and performance measures. These will be shared with the consortium and associated roles, responsibilities and accountabilities agreed.</li> <li>Recruit a Secondary senior challenge adviser with well-developed knowledge and skills to build on the progress made to date.</li> </ul>	<p>Nick Batchelar</p> <p>(Angela Kent)</p> <p>Councillor Sarah Merry - Education</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
					<p>collection of first-hand evidence are improving, and this is beginning to provide the authority with a more accurate evaluation of their schools. Through school improvement meetings, challenge advisers are developing a better understanding of the role that wider services in the local authority play in improving schools.</p> <p>The local authority works productively with its regional consortium to address the specific needs of Cardiff schools, and to promote school-to-school working. A few Cardiff schools are acting as hubs to disseminate good practice and to provide training and networking opportunities across the consortium. School improvement groups (SIGs) of teachers and leaders across the region are working on key improvement issues, and these groups focus well on evaluating their work in terms of outcomes for pupils. The local authority has commissioned the regional consortium to deliver a comprehensive range of leadership development programmes specifically to address leadership issues across its schools. These include training for aspiring leaders, middle leaders, headteachers at various stages of their careers, and development for those leaders who are capable of supporting.</p>					
<p><b>ICT Platforms Unsuitable/ Outdated</b></p> <p>The ICT platforms (desktop, software, network, servers, and telephones) will not be able to support the technologies required by the corporate change programme and deliver effective service to the council, or will not provide a reliable service due to age and condition of equipment and systems.</p>	<ul style="list-style-type: none"> <li>• Reputational / Financial / Stakeholder / Service delivery.</li> <li>• Loss of PSN services.</li> <li>• Service delivery impacts from unreliable/unavailable ICT systems.</li> <li>• Cardiff seen as unable to deliver on aspirations.</li> <li>• Poor morale from frustrations with inability to deliver services.</li> <li>• Potential for income losses from revenue collection impacts.</li> <li>• Unable to meet delivery deadlines on both business as usual and transformation projects.</li> </ul>	A	2	High Priority	<ul style="list-style-type: none"> <li>• Measurements put in place to track impact.</li> <li>• Existing ICT budget spend focused on dealing with critical issues, capital and revenue budget resource provided to address major issues.</li> <li>• Spending complete for renewal/upgrade of highest risk items, in particular firewalls, core servers/switches, external bandwidth and network storage.</li> <li>• New system down analysis process in place to ensure that key pressure points are rapidly identified and fixed with minimum disruption.</li> <li>• New deliveries are all being designed for a 99.99% minimum uptime, with critical systems targeted at 99.999% (equating to less than 6 minutes per year).</li> <li>• Due to mitigation actions so far to reduce the risk, the risk of critical service downtime has been reduced to medium.</li> <li>• Additional load balancers to be purchased for application resilience in key systems.</li> <li>• All SAP hardware has been replaced and software versions brought to latest levels</li> <li>• Continued replacement of unsupported window servers.</li> <li>• Publication of system and application support lifecycles to allow business users to plan replacements as required.</li> <li>• Thin client server farms fully refreshed with new hardware and software versions upgraded and aged thin client Xtreme PC's being phased out</li> </ul>	B	3	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>• Continued assessment of priorities for replacement – removal of systems out of supplier support is the main priority.</li> <li>• System owners are being tasked to identify action plan for replacing systems out of supported levels.</li> <li>• Firmer engagement with business on decommissioning or replacing unsupported platforms and applications.</li> <li>• Replace aged contact centre telephony.</li> <li>• Assessment of equipment required replacing to maintain PSN compliance.</li> <li>• Further revenue and capital investment in 2017/18.</li> <li>• Pilot leasing scheme within schools to be considered for corporate desktop estate.</li> <li>• Replacement of older slower disks in many PC's with solid state disks to improve performance and extend usable life</li> <li>• Continued reduction in aged Xtreme devices some of which were over 11 years old – over 1800 replaced in last two years leaving 1500.</li> <li>• Continued migration of VM infrastructure over to new storage technologies.</li> <li>• Continued migrating remote workers users to latest agile working model where possible.</li> </ul>	Christine Salter (Phil Bear)  Councillor Graham Hinchey - Corporate Services & Performance
<p><b>Safeguarding</b></p> <p>Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners</p>	<p>Reputation / Financial / Stakeholders / Service delivery / Legal / Partnership / Community</p> <ul style="list-style-type: none"> <li>• A child/ren or adult/s suffers avoidable significant harm or death.</li> <li>• Reputation of Council and partners.</li> <li>• Severe adverse publicity.</li> <li>• Potential regulator intervention.</li> <li>• Loss of confidence by the community in the safety of children and adults.</li> <li>• Loss of confidence of staff in the overall "safety" of the service, impacting on morale, recruitment and retention.</li> <li>• Potential litigation with associated financial penalties.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>• Implementation of Social Services &amp; Wellbeing (Wales) Act 2014 in relation to the strengthening of adult safeguarding.</li> <li>• Strategic review of safeguarding governance across the region in partnership with the Vale of Glamorgan Council.</li> <li>• Strategic review of the functioning of the Regional Safeguarding Adults Board (completed).</li> <li>• Ongoing implementation of the child Sexual Exploitation Strategy.</li> <li>• Implementation of the Corporate Safeguarding Board work programme.</li> </ul>	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>• Strategic review of the functioning of the Regional Safeguarding Children Board (imminent).</li> <li>• Growth bids to support operational safeguarding capacity in safeguarding teams.</li> <li>• Training staff in relation to Adult Protection Orders.</li> <li>• Cardiff Council to host the all-Wales Adult and Child Protection Procedure re-write.</li> </ul>	Tony Young  Councillor Sue Lent, Deputy Leader - Early Years, Children & Families  Councillor Susan Elsmore – Health, Housing & Wellbeing  Davina Fiore  Councillor Graham Hinchey, Corporate Services & Performance
<p><b>Budget prioritisation</b></p> <p>Failure to deliver the statutory obligation of setting a balanced annual budget and a fully informed Medium Term Financial Plan which takes into account statutory budget planning obligations (compounded by the risk of only receiving annual</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> <li>• Risk of failing to meet statutory obligations.</li> <li>• Risk that service delivery impacted due to uncertainty in the budget planning process resulting in decreasing resources or failure to effectively prioritise spend in line with Corporate Plan Objectives.</li> <li>• Risk that settlement figures will not be as anticipated giving an element of uncertainty to any proposals</li> </ul>	A	1	High Priority	<p><b>2017/18 and Medium Term</b></p> <ul style="list-style-type: none"> <li>• The 2017/18 Provisional Settlement received on 19 October 2016. Final Settlement 21 December 2016.</li> <li>• The 2016/17 settlement allowed the Council to reduce risk and improve resilience through addressing the pace and scale of the most challenging saving proposals, reviewing planning assumptions and introducing a new financial resilience mechanism. This mechanism will continue to be reviewed in order to reduce future risk but allow one-off investment and development in the meantime.</li> </ul>	C	2	Medium Priority (Red/Amber)	<p><b>2017/18 and Medium Term</b></p> <ul style="list-style-type: none"> <li>• Continue the work that ensures alignment with the demands of the Wellbeing of Future Generations Act with the 2017/18 Budget Strategy and any proposals.</li> <li>• Ensuring closer alignment with objectives of the Corporate Plan and the Organisational Development Programme in order to ensure resources are allocated appropriately and that longer term financial savings are developed in enough time to be realised in the medium term.</li> </ul>	Christine Salter (Ian Allwood)  Councillor Graham Hinchey - Corporate



Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
settlement figures from the Welsh Government).	<p>from Cabinet during public consultation and beyond.</p> <ul style="list-style-type: none"> <li>Risk that savings identified as part of business as usual and efficiencies have not been robustly reviewed for achievability and will not deliver as planned.</li> <li>Risk that financial constraints and budget proposals result in unintended consequences such as increased instances of non compliance and financial impropriety.</li> <li>Risk that annual budget settlement frustrates medium / longer-term planning and that the cycle does not integrate with other business cycles and vice versa.</li> <li>Risk of unbalanced budget as savings required over the medium term become harder to achieve and their impact on service delivery more difficult to manage.</li> <li>Risk that organisational development does not align to the financial strategy in relation to budget reduction requirements.</li> <li>Additional obligations such as Wellbeing of Future Generations Act leading to Council failing in statutory duty.</li> </ul>				<ul style="list-style-type: none"> <li>The final 2016/17 Budget was underpinned by Directorate Savings of £20.344m, Council Wide Savings of £2.895m and Addressable Spend Savings of £5.596m; a total of £28.835m</li> <li>2016/17 and the following two years savings proposals were underpinned by the Reshaping the Base exercise undertaken in conjunction with SMT and Informal Cabinet as part of 2016/17 Budget Strategy Development. This exercise has been refreshed and reviewed in looking at 2017/18 and 2018/19 budget proposals</li> <li>The MTFP set out in the July Budget Strategy Report shows an estimated Budget Reduction Requirement of £75.297m for the medium term (2017/18-2019/20).</li> <li>The July Budget Strategy Report looks to identify £17.977m savings for 2017/18 with the use of earmarked reserves, Council Tax increase and Cap on schools growth to identify the remaining £7.204m.</li> <li>The 2017/18 Directorate budget proposals were developed over the period of May – July. Those 2017/18 proposals have been further shaped and have been issued for consultation with the public with a closing date of 16 December 2016 as per the timetable. Draft proposals have been developed and continue to be worked upon for 2018/19.</li> <li>Capital Programme assessed for additional commitments and new bids with a prioritisation assessment being undertaken over the period of August to November. The impact on cost of borrowing is looked at in alignment with the prioritisation so that any schemes approved can be funded through the overall financial envelope.</li> <li>Close working with Policy team in respect of alignment with Corporate Plan and duties under Wellbeing of Future Generations Act.</li> </ul>				<ul style="list-style-type: none"> <li>Having received the final settlement on the 21 December 2016 work will be undertaken to assess the impact on key planning assumptions and scenarios.</li> </ul> <p><b>Medium Term</b></p> <ul style="list-style-type: none"> <li>Continued due diligence, challenge of proposals and development of detailed plans for both 2017/18 and 2018/19 and initial scoping work for 2019/20</li> </ul>	<b>Services &amp; Performance</b>
<p><b>Financial Resilience</b></p> <p>The Financial resilience of the Council over the medium term is significantly weakened so that it is financially unable to discharge its statutory obligations and services to the citizens of Cardiff.</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> <li>The risk that the Council will not be able to react to adverse situations through a combination of poor imprudent planning and significant challenges such as increasing demands for services such as social services, education, roads etc.</li> <li>The risk is that the Council will not be able to operate within the financial funds available to it and fail in its statutory duty to deliver services.</li> <li>Reputational risk of defaulting on creditor / payroll payments thus creating uncertainty across the community of Cardiff and beyond.</li> <li>The risk that this leads to intervention and increasing adverse impacts on the community of Cardiff that rely on the services being delivered by the Council.</li> </ul>	<b>A</b>	<b>1</b>	<b>High Priority</b>	<ul style="list-style-type: none"> <li>The Council regularly reports in relation to its financial performance and monitoring.</li> <li>The Council used the better than anticipated provisional settlement for 2016/17 to improve financial resilience as previously outlined. This included the establishment of a £4m financial resilience mechanism to protect the Council from the uncertainties associated with the absence of multi-year settlement information whilst allowing for one-off investment in the mean-time.</li> <li>The Wales Audit Office's Report into financial resilience scored the Council as low risk in terms of financial governance and control and medium risk in terms of financial planning.</li> <li>Improvement actions associated with the medium risk for financial planning related to 1) the improvement of savings plans and 2) the improvement of links between the MTFP and Organisational Development Programme, Service Plans and Improvement Plans.</li> <li>A financial snapshot has been developed in respect of the financial resilience of the Council and is reviewed 3 times a year and report at Budget Report (Feb16 &amp; Feb 17), Budget Strategy (Jul) and to Audit Committee.</li> </ul>	<b>C</b>	<b>2</b>	<b>Medium Priority (Red/Amber)</b>	<ul style="list-style-type: none"> <li>Key stakeholders are briefed on this position and financial triggers against this snapshot continue to be developed and reviewed.</li> <li>Work in respect of improving savings plans continues in order to increase the % of savings proposals accepted that deliver. The key focus is due diligence, challenge and development of detailed plans but with an emphasis on accountability to the directorate which proposed the saving. Savings documentation has also been reviewed and developed with the aim of ensuring consideration and capture of key factors relating to savings proposals.</li> <li>Links between the MTFP, OD Programme, Service Plans and Improvement Plans continue in order to further build on work already undertaken in the Budget Strategy Work Programme.</li> </ul>	<p>Christine Salter (Ian Allwood)</p> <p>Councillor Graham Hinchey - Corporate Services &amp; Performance</p>
<p><b>Budget Monitoring (Control)</b></p> <p>Failure to achieve the budget set, inclusive of budgeted spend and savings across Directorates, with increased use of emergency finance measures and the drawdown of reserves.</p>	<ul style="list-style-type: none"> <li>Inability to balance spend, against budget, for the financial year.</li> <li>Requirement to implement emergency measures to reduce spending during the financial year thus adversely impacting on ability to meet Corporate plan objectives.</li> <li>Requirement to drawdown from General Reserves at the year end.</li> <li>Impact on the 2016/17 Budget where issues remain with achieving 2015/16 budget savings and any unachieved savings brought forward from 2014/15.</li> </ul>	<b>A</b>	<b>1</b>	<b>High Priority</b>	<ul style="list-style-type: none"> <li>Clear financial procedure rules setting out roles and responsibilities for budget management are in place.</li> <li>In recognition of the quantum of savings and the risks posed a £4 million General Contingency was allocated in the Budget.</li> <li>Availability of General Reserve should this be required.</li> <li>The final 2015/16 outturn showed a surplus of £1.696 million. However this included an overspend of £4.635m in relation to directorate budgets with shortfalls of £6.586m against 2015/16 savings targets and £2.837m against shortfalls carried forward from 2014/15.</li> <li>As part of the 2016/17 Budget process £3.029m of these budget savings not achieved were written back into the budget.</li> <li>The Corporate Director of Resources, Chief Executive and Cabinet Members have continued to hold challenge meetings going forward into 2016/17 in all areas both to address shortfalls against budget proposals accepted but also the overall financial position of each directorate.</li> <li>The 2016/17 Month 6 monitoring report presented to Cabinet highlighted an overspend of £537,000. Directorate budgets projected to be overspend by £6.643 million partially offset by general contingency of £4 million.</li> <li>Full financial monitoring processes is in place for month 3 to 11 of the financial year including achievement of budget savings with months 3 to 6 completed.</li> <li>Monthly meetings held between service accountants, directors and Cabinet Members.</li> </ul>	<b>B</b>	<b>2</b>	<b>High Priority</b>	<ul style="list-style-type: none"> <li>The balance of any 2015/16 or 2016/17 savings targets designated as not being achievable have been provisionally allocated and will continue to be reviewed as their 2017/18 Budget progresses.</li> </ul>	<p>Christine Salter (Allan Evans)</p> <p>Councillor Graham Hinchey - Corporate Services &amp; Performance</p>
<p><b>Health and Safety</b></p> <p>Ineffective compliance of health and safety through poor application and embedding of the 'Framework for Managing Health and Safety in</p>	<p>Reputational / Legal / Financial / Service delivery</p> <ul style="list-style-type: none"> <li>Fatalities</li> <li>Serious injuries</li> <li>Prosecution – fines for body corporate and/ or fines/imprisonment for individual</li> <li>Claims</li> </ul>	<b>A</b>	<b>1</b>	<b>High Priority</b>	<ul style="list-style-type: none"> <li>Dedicated team of competent Health and Safety Advisers providing specialist advice and guidance.</li> <li>Implementation of the 'Framework for Managing Health and Safety' based on the HSE model for successful health and safety management as detailed in the Council's Health and Safety Policy (revised 2014).</li> <li>The five key elements of the management system model for</li> </ul>	<b>B</b>	<b>1</b>	<b>High Priority</b>	<ul style="list-style-type: none"> <li>Service Level Agreement commenced in March 2016, following this a review of current arrangement for health and safety has been undertaken, the following issues have been highlighted as priority for improvement action:-</li> <li>Statutory Maintenance Compliance – First meeting held of the Steering Group to implement RAMIS (19-12-16), led by</li> </ul>	<p>Christine Salter</p> <p>Councillor Graham Hinchey -</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
Cardiff Council.					<p>occupational health and safety are:-</p> <ul style="list-style-type: none"> <li>• Policy 2. Organising - Control, Co-operation, Communication, Competence 3. Planning 4. Measuring Performance and 5. Audit and Review. (These elements encompass a wide range of actions including development and implementation of relevant policies and procedures, risk assessing, Annual Directorate Health and Safety Action Plans, corporate health and safety objectives, Directorate and Council Annual Health and Safety Reports, monitoring by Directorates , training, consultation with trade unions through corporate and Directorate meetings, accident reporting and investigation and auditing).</li> <li>• Directorates carry out suitable and sufficient risk assessments as appropriate and ensure any necessary control measures are implemented and monitored.</li> <li>• Health and Safety Advisers carry out a programme of health and safety audits, focussing on high risk activities, and undertake other inspections / investigations as necessary.</li> <li>• Annual Business Objectives for Health and Safety Advisers.</li> <li>• Code of Guidance on Leading Health and Safety for Senior Managers and Headteachers included on CIS.</li> </ul>				<p>Tara King. Accurate information on Building Stock and CAD Plans are currently being collated in order for the system to be set up to input the current test certificates on statutory inspections/testing. The RAMIS for schools site is currently being set up in order for schools to upload their safety documentation into a central repository and access health and safety information for schools.</p> <ul style="list-style-type: none"> <li>• Review of Policy/Codes of Guidance – Corporate Policy and 13 Codes of Guidance reviewed and uploaded to CIS, further reviews planned in 2017, particular priorities are Violence and Work, Control of Vibration, Stress and Wellbeing, Asbestos Management and Fire Safety.</li> <li>• Health and Safety training via. The Academy commenced in October 2016, a suite of Corporate H&amp;S courses are currently being offered.</li> <li>• H&amp;S and OH to improve Health Surveillance in line with legislative requirements, health surveillance clinic established in Lamby Way, to increase attendance and reduce disruption to front line services.</li> <li>• Review of Violence at Work and PACD System undertaken and improvements to the PACD system underway, which will ensure that the information held on the system is accurate, up to date and held in line with the DPA.</li> <li>• Review of H&amp;S resources being undertaken to ensure sufficient capacity to advise on and monitor health and safety compliance.</li> <li>• Further dialogue required with Caerphilly Council to maximise collaborative working on Health and Safety matters, including the support for Cardiff schools on health and safety as well as asbestos management.</li> </ul>	Corporate Services & Performance
<p><b>Climate Change &amp; Energy Security</b></p> <p>Un-preparedness to the effects of climate change due to lack of future proofing for key (social and civil) infrastructure and business development, and inability to secure consistent energy supply due to rising energy costs and insecurity of energy supply.</p>	<p>Reputational / Financial / Stakeholder / Service delivery / Legal / Partnership / Community / Health &amp; Safety</p> <p>Flooding &amp; increased frequency and severity of storm events:</p> <ul style="list-style-type: none"> <li>• Loss of life and personal injury</li> <li>• Direct damage to property, infrastructure and utilities</li> <li>• Contamination and disease from flood and sewer water and flood on contaminated land</li> <li>• Increased costs of insurance</li> <li>• Break up of community and social cohesion</li> <li>• Blight of land and development</li> </ul> <p>Increased summer temperatures:</p> <ul style="list-style-type: none"> <li>• An increase in heat related discomfort, illness and death, increasing pressure on health and emergency services</li> <li>• An increase in demand for limited water supplies</li> <li>• Damage to temperature sensitive infrastructure (transport systems, electrical systems).</li> <li>• Migration of biodiversity.</li> </ul> <p>Inconsistent energy supply and cost:</p> <ul style="list-style-type: none"> <li>• Inability to deliver public services</li> <li>• Decrease in economic output</li> <li>• Disruption to the supply of utilities</li> <li>• Increased transport costs</li> <li>• Increased costs for heating / providing services to buildings</li> <li>• Increased fuel poverty</li> </ul>	B	1	High Priority	<p><b>Emergency Management Unit</b></p> <p>Cardiff Council Emergency Management Unit is working through the Local Resilience Forum (LRF) structure to ensure planning is carried out with consideration of flood risk.</p> <ul style="list-style-type: none"> <li>• Cardiff Area Community Risk Register is developed and reviewed on a regular basis by the Cardiff Area Risk Group. It takes into account changes in the national risk register and how those changes affect Cardiff.</li> </ul> <p>We are engaging internally with The Welfare of Future Generations Act to integrate the community work with the Councils strategy and externally with voluntary organisations such as C3SC to provide training to community groups across Cardiff</p> <ul style="list-style-type: none"> <li>• Cardiff Council Emergency Management Unit have in place a long term communication strategy in Cardiff in conjunction with multi agency partners highlighting flood awareness alongside other emergency eventualities such as extreme temperatures and how residents, businesses and communities can be aware of the risks in their area and hence better prepare for them should that risk materialise. Cardiff has 5 active community flood plans with others in the planning stage. We have produced a 'Preparing for Emergencies – A Guide for Communities' document which is now available to all agencies and organisations. It provides information on how to prepare, respond and recover from an incident including flooding. The document can be found via the following link; <a href="https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Emergency-Planning-and-Resilience/Pages/default.aspx">https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Emergency-Planning-and-Resilience/Pages/default.aspx</a></li> </ul> <p>We have procedures in place to alert relevant departments within the council to extreme temperatures and work with partner agencies in line with Welsh Governments Heatwave Plan, this can be found via the following link; <a href="http://www.wales.nhs.uk/docopen/218909/">http://www.wales.nhs.uk/docopen/218909/</a></p> <p><b>Energy Management Unit</b></p> <ul style="list-style-type: none"> <li>• The Council procures competitive energy contracts through the Crown Commercial Services on a 6 monthly purchasing window for the following 12 month financial year.</li> <li>• Key sites are fitted with back-up generators for emergency backup, specifically for IT systems.</li> <li>• The Carbon reduction Strategy 2022 identifies projects and activities through 4 strands in order to achieve a 35% reduction in the council's carbon emissions from electricity and gas by 2022. These include; Renewables, energy Efficiency, Design and Asset Management and Behaviour Change.</li> <li>• The new strategy is accompanied by a project programme which is currently being implemented with projects categorised across all strands.</li> <li>• Key project achievements include 16 LED lighting upgrades to schools, 700kW of solar PV installed across the estate as well as the commissioning of the Radyr Weir Hydroelectric scheme with a capacity of 400kW,</li> </ul>	B	1	High Priority	<p><b>Flood Risk Management</b></p> <ul style="list-style-type: none"> <li>• An officers flood working group has been established to improve internal and key stakeholder communications on flooding issues.</li> <li>• Identify where flood risk information is in place for key social and civil infrastructure and identify where there are gaps (i.e. contaminated land). To consider flood risks recognised in the Community Risk Register in the Community Planning/Integrated Partnership process. Community resilience workshops continue in high risk areas</li> <li>• The proposal to further progress Surface Water modelling further in line with national guidance and deadlines to inform the Cardiff Area Flood Plan awaits the next guidance from the Welsh Government</li> <li>• To consider the long term planning implications for coastal protection owned/managed by the Council . Funding of £400k has been secured from Welsh Government for 2016/17 and a Project Appraisal Report to manage coastal flooding and erosion risk is currently underway and on schedule. The appraisal will consider wider benefits, and the project appraisal will seek to identify options to remedy coastal erosion and will also have a consideration for the coasts flood defence standards.</li> <li>• Progress the development of a technical standards for sustainable drainage as a requirement for new development.</li> </ul> <p><b>Emergency Management Unit</b></p> <ul style="list-style-type: none"> <li>• To consider flood risks recognised in the Community Risk Register in the Community Planning/Integrated Partnership process. Community resilience workshops continue in high risk areas</li> </ul> <p><b>Sustainable Development Unit</b></p> <ul style="list-style-type: none"> <li>• Climate Change to be considered as part of the Well-Being Assessment and subsequent actions in the Well-Being Plan.</li> <li>• Work to be undertaken with both the Covenant of Mayors and the Compact of Mayors to agree a consistent method of emissions reporting and action planning so as to not duplicate efforts and get maximum benefit from the commitments.</li> </ul> <p><b>Energy Management Unit</b></p> <ul style="list-style-type: none"> <li>• Progress has been made to establish up to date energy budgets.</li> <li>• Deliver development of local power generation within city boundaries and with neighbouring LAs by securing heat networks, deliver the fuel Poverty strategy through</li> </ul>	<p>Andrew Gregory</p> <p>Councillor Bob Derbyshire - Environment</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
					<ul style="list-style-type: none"> <li>Progress in 2015/16 has achieved a 6.9% reduction in carbon versus 2013/14 baseline.</li> </ul> <p><u>Local Flood Risk Management Strategy</u> A Local Flood Risk Management Strategy was produced as a requirement of the Flood and Water Management Act 2010 in accordance with WG's Flood &amp; Coastal Risk Strategy guidance. The LFRMS integrates; the PFRA, a coastal protection strategy, stakeholder communications and sets a clear corporate approach to flood management.</p> <p><u>Flood Risk Management Plan</u> In 2013, as a requirement of the Flood Risk Regulations 2009, the Environment Agency, working with Natural Resources Wales and Lead Local Flood Authorities, produced the updated Flood Map for Surface Water (uFMfSW). The maps identify the risk, extent, velocity and hazard posed to Cardiff for a series of rainfall events.</p> <p>These maps have been used to inform the Flood Risk Management Plans, which Cardiff have produced as a requirement of the Flood Risk Regulations 2009. The plan sets out how Cardiff Council will over the next six years manage flooding so that the communities most at risk and the environment benefit the most. The plan does this by:</p> <ul style="list-style-type: none"> <li>Highlighting the areas most at risk of flooding from surface water, ordinary watercourses and groundwater in Cardiff Council's area;</li> <li>Draws conclusions from these risks; and</li> <li>Sets out the measures that will be implemented over the 6 year cycle to mitigate these risks and make our communities more resilient.</li> </ul> <p><u>Planning</u> The Local Development Plan was adopted in January 2016 and includes policies seeking to reduce flood risk and new development. In order to monitor the effectiveness of these policies the LDP Annual Monitoring Report (AMR) includes indicators relating to flood risk which set targets that no planning permissions will be granted for highly vulnerable development within C2 floodplain area and only within C1 floodplain area if it meets TAN15 tests. There is also an indicator committing the Council to prepare Supplementary Planning Guidance (SPG) relating to Flooding to support and amplify the flood risk related policies in the adopted LDP.</p> <p><u>Sustainable Development Unit</u></p> <ul style="list-style-type: none"> <li>Changing Climate, Changing Places pilot project.</li> <li>Share learning experiences of climate change related risks with Integrated Strategy partners as and when information becomes available.</li> <li>Strategic climate change resilience action plan approved by Cabinet as part of a wider One Planet Cardiff Cabinet Report. Actions and recommendations in the plan cover heat planning and flooding issues.</li> <li>Corporate PI on climate change resilience developed to help support the authority and its services to be prepared for a changing climate, and to enable robust reporting to WG on this work (in line with the potential reporting requirements of the Climate Change Act and Well-being of Future Generations Act). However, there has been limited response from Directorates due to key staff leaving and organisational changes.</li> <li>The Council has signed up to the Compact of Mayors in addition to its existing commitment to the Covenant of Mayors. Initial data submitted for the Compact of Mayors Carbon Disclosure Project.</li> </ul>				<p>measures such as Cyd Cymru, ECO and Green Deal opportunities, provide supplementary planning guidance on passive and renewal heating systems to new build and retrofit schemes.</p> <ul style="list-style-type: none"> <li>Energy security related issues to inform corporate financial systems revised buying and power consumption monitoring arrangements to save money and reduce demand and provide corporate &amp; community planning for Energy City Wide to Business and public sector.</li> <li>Further guidance to be disseminated to service areas on energy security and energy savings opportunities such as implementation of Carbon Culture, delivering extensive energy invest to save programmes on the Council Estate.</li> <li>Delivering renewables within larger properties to lower dependency to grid supply.</li> <li>Energy Performance certificates undertaken to Council owned stock to improve understanding along with a variety of energy efficiency measures (cavity / loft / external wall insulation and boiler upgrades) funded via ARBED, ECO and Green Deal.</li> </ul>	
<p><b>Information Governance</b></p> <p>Information handled inappropriately leaves the Council exposed to intervention and financial penalties issued by the Information Commissioner (ICO). This includes information held by Cardiff Schools.</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> <li>Leads to the Information Commissioner issuing notices of non-compliance</li> <li>These could consist of: <ul style="list-style-type: none"> <li>a Stop Now Order which would mean that no personal data could be processed by the Council in its entirety</li> <li>An Information Notice which would mean that a service would have to provide information in a very limited period thereby impacting on service delivery</li> </ul> </li> <li>Undertaking which requires an Action Plan of Remedial Measures which would be subject to ICO Audit</li> <li>Enforcement Notice requires immediate improvement action to be put in place</li> <li>Financial Penalty up to £500,000 (currently)</li> </ul>	A	1	High Priority	<ul style="list-style-type: none"> <li>Information Security Board chaired by the SIRO held quarterly.</li> <li>Suite of Information Governance Policies in place.</li> <li>Processes for Information Requests, Data Loss in place.</li> <li>The Information Governance Training Strategy in place and a revised e-learning programme developed to take forward data protection training. This e-learning platform is a bilingual training programme.</li> <li>Information Requests and Training compliance monitoring reports provided and reported to Information Security Board, SIRO.</li> <li>The processing of CCTV requests (section 35 requests) has been centralised to ensure that these are dealt with appropriately</li> <li>ICO Consensual Audit determined that the Council is considered to have a 'reasonable level of assurance' in place</li> <li>Procurement contracts to include a clause regarding 3rd Parties processing personal data</li> <li>Privacy Impact Assessment process realigned and a PIA Board established to ensure that the Council, when changing systems and processes where personal data is involved, considers relevant legislation. (in preparation for the new EU requirements)</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>The Information Governance Team (responsible for the Governance of CCTV) have compiled a register of all CCTV devices owned by the Council. A review of the use of these devices is being undertaken through the council's Information Security Board and the nominated Directorate Information Asset Owners</li> <li>Review remaining 10% of Information Requests sitting in Directorates with a view to bringing them into the 'One Council Approach'.</li> <li>An Information Governance Maturity Model is being drafted to assess the overall Council position in relation to Information Governance Risk.</li> <li>Digitalisation of paper records strategy to be developed and agreed by March 2017</li> </ul>	<p><b>Christine Salter</b></p> <p><b>(Vivienne Pearson)</b></p> <p><b>Councillor Graham Hinchey - Corporate Services &amp; Performance</b></p>



Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
					<ul style="list-style-type: none"> <li>PQA process includes the requirement for PIA's where personal information is being processed</li> <li>Advice and assistance provided to the National Adoption Service and Rent Smart Wales continues as Cardiff Council is the Data Controller for these services</li> <li>Advice and assistance provided to collaborative services of the Educational Consortium, Vale, Valleys and Cardiff Regional Adoption Service where Cardiff is not the Data Controller</li> <li>Advice and Guidance Service in operation to Cardiff Schools (with the exception of Eastern High and St Illytds) to support compliance within schools and governing bodies</li> <li>Advice and guidance available to Directors and Lead Officers on the Information Governance aspects of Alternative delivery Models</li> <li>Digitisation of Records forms part of the considerations of the OD Programme for services becoming 'digital by default'</li> <li>Work to support the Share Regulatory Service (SRS) is in place to ensure that the on-going information governance requirements are met and delivered linked to the wider Governance arrangements of this venture</li> </ul>					
<p><b>Social Services – Costs</b></p> <p>Failure to reduce the cost of delivering social services.</p>	<p>Reputational / Community / Legal / Financial / Stakeholders / Service delivery</p> <p>Quality and range of services and interventions compromised, e.g.:</p> <ul style="list-style-type: none"> <li>Safety and welfare of individuals in the community compromised.</li> <li>Achievement of good outcomes for service users compromised.</li> <li>Shortage of appropriate services including placements.</li> <li>Inability to meet key objectives and performance targets.</li> <li>Increase in challenges from carers, including financial challenges.</li> <li>Increase in Delayed Transfers of Care (DToC).</li> </ul>	B	1	High Priority	<p>Strategic service improvement governance arrangements including:</p> <ul style="list-style-type: none"> <li>Organisational Development Programme.</li> <li>Multi agency Improving Services to Children Board.</li> <li>Adult Services Improvement Board.</li> <li>Vulnerable Families Partnership Board.</li> <li>Multi-Agency Safeguarding Hub (MASH).</li> <li>Social Services Reshaping Programme.</li> <li>Adult Social Care Strategic Commissioning Programme.</li> <li>Internal Review team within Assessment &amp; Care Management continues to focus on delivery of targeted reviews and reviewing packages of domiciliary care for individuals.</li> <li>Assessment &amp; Case Management Business Process Review - commenced with corporate resources.</li> <li>Adult Social Services Position Statement completed.</li> <li>Remodelling Children's Services implementation commenced.</li> <li>Remodelling services to disabled children commenced – supported by Intermediate Care Fund (ICF).</li> <li>Community Resource Team moved to 7 day working.</li> <li>Comprehensive ICF funded interventions designed to strengthen domiciliary care capacity in place.</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>Commenced development of 5-10 year Integrated Service and Financial Plan</li> <li>Good progress being made with implementation of key preventative initiatives and whole directorate remodelling based on Signs of Safety</li> <li>Redesign services for children with emotional, behavioural or mental health difficulties (UHB led).</li> <li>Locality pilot designed to integrate Council, Housing, Primary Care, GP clusters and domiciliary care provision within defined geographical areas to commence in 2016-17 – plans progressing well.</li> </ul>	<p>Tony Young</p> <p>Councillor Sue Lent, Deputy Leader - Early Years, Children &amp; Families</p> <p>Councillor Susan Elsmore – Health, Housing &amp; Wellbeing</p>
<p><b>Promoting Independence</b></p> <p>Failure to sustain an effective whole system approach that enables adults with significant health needs to remain in, or return to, their own homes and reduces the need for / length of hospital stays</p>	<p>Reputational / Legal / Financial / Community / Stakeholders / Service delivery</p> <ul style="list-style-type: none"> <li>Increase in Delayed Transfers of Care (DToC).</li> <li>Poorer outcomes for adults.</li> <li>Potential ministerial intervention incurring significant reputational and political risk.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>Leadership group established to tackle DToC - consisting of Cabinet Members from the Cardiff, Vale of Glamorgan, Chair of UHB and relevant officers.</li> <li>Performance challenges set to improve DToC - includes ongoing close monitoring of DToC Plan.</li> <li>Joint action plan received and agreed by the Health Minister under frequent review to monitor progress.</li> <li>Health &amp; Social Care Integration - continued progression on integration with Health - partnership / governance.</li> <li>Community Resource Team moved to 7 day working.</li> <li>Comprehensive ICF funded interventions designed to strengthen domiciliary care capacity in place.</li> <li>Strategy to engage more proactively with the market in order to support better sustainability in domiciliary care established.</li> </ul>	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>WAO Review endorsed improvements in partnership landscape in Cardiff and establishment of a senior 'Virtual Team' now bringing benefits in terms of shared operational 'grip'.</li> <li>Performance continues to improve subject to oncoming winter pressures</li> <li>Market management impacting effectively and containing 'price'.</li> <li>Strategic review of reablement as part of ODP.</li> <li>Strategic review of Matrix (Adam) and Proactis commissioning platform under way with a view to considering new framework arrangements.</li> </ul>	<p>Tony Young</p> <p>Councillor Susan Elsmore - Health, Housing &amp; Wellbeing</p>
<p><b>Performance Management</b></p> <p>A performance management culture is not embedded within the Council leaving the Council exposed to intervention by Welsh Government in line with the Local Government (Wales) Measure 2009 and associated requirements.</p>	<p>Reputational / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> <li>The strategic and corporate level changes do not have the intended impact because they are not fully embedded in operational practices.</li> <li>Council unable to accelerate performance improvement as planned/desired.</li> </ul> <p><u>Outcome Agreement 2013/16</u> Financial</p> <ul style="list-style-type: none"> <li>The WG guidance for the Outcome Agreement for 2013/16 means that there is a risk of not securing all or part of the £3.2m funding for 2013/14 and subsequent years</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>The Council's refreshed Corporate Plan, which sets out four key priorities along with a series of related Improvement Objectives, was approved alongside the budget in February 2016.</li> <li>The Council's improved approach to the way it manages its performance was recognised by the Wales Audit Office's follow-on report, but it is also clear there is more work to be done to build on the success achieved so far. A Performance Management programme has been put in place to deliver the required change to address three key areas relating to Reporting, Planning and Challenge.</li> <li>The Council's developing approach to Performance Management will continue to develop the way in which Benchmarking data is used, with specific emphasis on measuring the Council's improvement compared to Wales and Core Cities.</li> <li>Balanced Scorecards are produced each quarter and circulated to Cabinet and Directors for use in improving communication of performance. The continuing development of a scorecard approach to reporting will be a key part of the Performance Management programme of activity.</li> </ul>	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>Developing a reporting framework that allows the right audiences to focus on the right level of detail to better aid decision-making, this is being further developed in readiness for Quarter 1 2017-18 to ensure robust reporting arrangements for the WBFAG Act</li> <li>Ensuring greater effectiveness of corporate planning frameworks, with clearer accountabilities and enhanced 'line of sight'</li> <li>The project teams will be continuing to evolve this template to ensure greater focus of reporting. The project teams are now considering an agreed approach for target setting.</li> <li>A new Directorate Delivery Plan template has been developed which also incorporates the Future Generations requirements and the 5 ways of working. A Directorate Delivery Plan executive summary is currently being explored. This has been presented to PSG and the template has been endorsed by SMT</li> <li>A target setting process and proforma has been developed</li> </ul>	<p>Christine Salter</p> <p>(Joe Reay)</p> <p>Councillor Graham Hinchey - Corporate Services &amp; Performance</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
					<ul style="list-style-type: none"> <li>The project teams have ensured their work incorporates the requirements of The Well-Being of Future Generations Act 2015, and the managed transitions between the Local Government (Wales) Measure 2009 and the requirements of the new legislation.</li> <li>The project teams have developed a new Quarterly performance report template that has been considered and accepted at SMT and formed the basis for reporting at Q1. Incremental changes to this were introduced in Quarter 2.</li> <li>Increasing the transparency with which we manage our performance</li> <li>The Self Assessment process has been completed and fed into the SMT Corporate Plan workshop which identified high level key themes that link the Wellbeing &amp; Future Generations Act.</li> <li>Consistent RAG ratings have been agreed and developed for Corporate Plan commitments.</li> <li>A consistent RAG methodology has been developed to enable a mathematical approach be applied to performance indicators</li> <li>Directorate scorecards have been developed for the Quarter 2 performance report and presented to PRAP, these were well received.</li> <li>PSG (Performance Support Group) has been established. Quarterly performance report will be viewed at these meeting with one of the outputs of this being a structured conversation being developed for the Star Chamber agenda.</li> <li>Wellbeing objectives have been developed in line with the Corporate Plan development timeline and endorsed by SMT and presented to informal cabinet</li> </ul>				<ul style="list-style-type: none"> <li>to support the development of targets in the Corporate Plan and Directorate Delivery Plan</li> <li>Reporting scorecards have been trialled by representatives of PSG. These were presented at PSG and were well received, further roll out will continue with PSG representatives</li> </ul>	
<p><b>Organisation Development</b></p> <p>OD projects fail to deliver the radical change required to deliver efficiency savings and service changes, due to service and resource pressures.</p>	<ul style="list-style-type: none"> <li>The Council's budget constraints are so severe that the consequence of not delivering large-scale change could have a major impact on customer services.</li> <li>Radical changes to service delivery models may impact on the Council's reputation if not planned, co-ordinated and governed effectively.</li> <li>If change is not delivered, there could be unplanned reduction in staffing to achieve savings, which would result in loss of business knowledge and resources to implement change.</li> <li>Reputational impact if services do not meet increasing customer expectations.</li> <li>If change is not effectively planned, managed and implemented it may be delayed and subsequently impact on the Council's ability to achieve necessary savings and service improvements.</li> <li>With the increased budget pressures, the Council may not have sufficient capital and revenue to invest in technology which would achieve medium and long-term improvements and savings.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>Governance arrangements established, led by the Chief Executive and Programme Boards, chaired by Directors to ensure change is delivered</li> <li>Disciplined approach, where risk assessment forms an integral part of the approach to change</li> <li>Programmes initiated with dedicated resources</li> <li>Experienced gained by managing programmes and projects over a number of years, building on lessons learned</li> <li>Building capacity and capability across the organisation through development opportunities and skills transfer</li> <li>Appropriate engagement and stakeholder management, including Trade Union meetings and updates for PRAP, Scrutiny and Internal Audit.</li> <li>Improving compliance to project and programme management governance standards by streamlining core processes and enhancing reporting, increasing transparency across change initiatives.</li> <li>Continued implementation of Programme &amp; Project Management Database to enhance management information and reporting. Investment Review Board review/approve Business Cases and prioritise resources.</li> <li>Organisational Development Board joined up with Senior Management Team who meets monthly to discuss the OD Programme. This ensures all Directors are fully engaged with the OD Programme.</li> <li>OD/SMT Board approved Programme Briefs for Reshaping Services, Enabling &amp; Commissioning and all component programmes. OD/SMT have approved the draft Digital Strategy, ahead of formal submission to Cabinet in May 2016.</li> <li>Improved reporting for the OD Programme has been developed (Dashboard Reports) and implemented at OD/SMT Board. These reports are produced 4-weekly.</li> <li>Appointment of programme managers to oversee the OD Programme (OM2 in April 2015 and OM1 in August 2015) has provided additional capacity and direction.</li> <li>SharePoint implementation within OD began in December 2015 and will continue through spring 2016, further improving information management, efficiency and internal communications.</li> <li>Control Risk Self Assessment tool piloted in OD to inform strengths and weaknesses in controls and help prioritise areas for improvement.</li> </ul>	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>New Programmes &amp; projects being initiated as part of Organisational Development – driving change from within Directorates, but corporately governed.</li> <li>Further work required to understand the interdependencies for all the projects ongoing in the OD Programme to ensure best use of resources and no duplication of effort.</li> <li>Working with Finance to ensure that saving plans included in the medium term financial plan are directly linked to the ODP. It is intended to give Audit Committee an update on this in January 2017.</li> <li>PRAP Scrutiny Committee are to receive an update on the ODP in January 2017.</li> <li>Resources plan being developed by OD Team to ensure current and future projects have adequate resources. This plan will be shared with SMT in quarter 4.</li> <li>An organisational development process has been drafted to ensure that any new work given to the OD team is reviewed and prioritised. This new process may well lead to some work not being resourced by the OD team and therefore we are looking for SMT to be involved in this new way of working. This is to be presented to SMT in quarter 4 and links in with the resources plan for the OD team.</li> <li>The Social Services Improvement Programme and the Vulnerable Children &amp; Families Programme (that both sit within the Reshaping Services Programme) are to be evaluated and reviewed in January 2017. This is being done as it is felt that are some projects contained within these programmes that are now complete, and the need to bring in other significant projects that have been identified by the service area.</li> <li>Early in 2017, an independent review will be undertaken to assess the impact of the programme to this point and help inform future prioritisation.</li> </ul>	Christine Salter (Dean Thomas)  Councillor Graham Hinchey - Corporate Services & Performance
<p><b>Business Continuity</b></p> <p>Large scale incident/loss affecting the delivery of services.</p>	<p>Reputational / Legal / Financial / Stakeholder / Service delivery / Health &amp; safety</p> <ul style="list-style-type: none"> <li><b>Health and Safety</b> – potential impact on staff and on the public relying on our most, time sensitive, critical services.</li> <li><b>Legal action</b> -Failure of key services could lead to Legal action against the council.</li> <li><b>Financial</b> - Failure of key services could led to significant financial cost both in terms of Ombudsman action and Enforcement action from regulatory bodies as well as individual legal action against the corporate body where service failure leads to legal action against us from private claimants.</li> <li><b>Reputational</b> - Impact on key services to the public</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>The Council has a BCM Champion who sponsors BCM at a strategic level and is actively supporting the BCM Programme.</li> <li>We have an approved Business Continuity Policy which is aligned to ISO22301.</li> <li>BCM Intranet web page.</li> <li>BCM toolkit is now available on CIS allowing all service managers to develop an appropriate BCM response for their services allowing future effective maintenance and audit. BCM workshops are available from the BC Officer on request.</li> <li>The Council has employed a Business Continuity Officer (appointed October 2010). The officer is a qualified ISO22301 lead auditor.</li> <li>The Emergency Management Unit has developed an Incident Management Plan (Cardiff Councils Emergency Management Plan) to ensure alignment with ISO22301 this has been distributed to all Directorates.</li> </ul>	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>The BC Officer is working closely with Facilities Management to ensure they have effective plans in place to help manage possible business disruptions to our core buildings.</li> <li>Work with ICT to ensure our core infrastructure is as resilient as practical to support a resilient and effective delivery of essential ICT services and the effective planning for recovery of critical IT services after an incident that affects our IT.</li> <li>The Emergency Management Unit are planning a piece of partnership work with ICT to support areas that provide red activities in assessing the impact the loss of technical services, and ensuring suitable mitigation is in place to make our red services more resilient, where this is possible.</li> <li>Work with the teams involved with looking at the potential of</li> </ul>	Christine Salter  Councillor Phil Bale, Leader – Economic Development & Partnerships



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	<p>could lead to significant reputational damage to the organistaion.</p> <ul style="list-style-type: none"> <li>• <b>Stakeholder</b> – Impact on key stakehodlers as result of failure.</li> <li>• <b>Service delivery</b> – Potential significant impact on service delivery to the public, impact of key services could lead to significant impacts to the public and the corporate body un delivering its services.</li> </ul>				<ul style="list-style-type: none"> <li>• The Council has a 24 hour Incident Management structure for Gold and Silver Officers.</li> <li>• The Red and Amber activities were last reviewed in July 2014. The BCM Champion presented a report to the SLT on the position on all the Red and Amber activities. Directors, Assistant Directors and Chief Officers were tasked with ensuring that their Red and Amber activities had business continuity plans produced and audited by the end of 2014/2015.</li> <li>• A partnership approach between the Emergency Management Unit and the Corporate Risk Steering Group is helping to raise awareness and drive forward the BCM programme.</li> <li>• 74% of our most time critical activities (Reds) now have Business Continuity plans which have met, or are going through, audit. Work on the remaining plans is ongoing to close gaps and bring them up to date and in line with the corporate audit requirement</li> <li>• 24 % of our Amber activities now have business continuity plans which meet the business continuity audit requirement.</li> <li>• Cardiff Council is a member of the Core Cities Business Continuity Group and has been for the last 6 years. This membership allows the sharing of best practice and joint initiatives between group members.</li> <li>• The Business Continuity Officer has been working closely with the procurement section of Resources to ensure that the resilience of suppliers is considered carefully when procuring services which are important to our most time sensitive activities, our Red and Amber activities.</li> <li>• Internal Audit conducted an audit of the Business Continuity Risk in the first 2 quarters of 2015 / 2016 a briefing note has been issued to SLT on the current position and actions moving forward to further enhance our organisational resilience.</li> <li>• The BC Officer is actively supporting the development of an appropriate Threat and Response Policy to support council security arrangements.</li> <li>• The Business Continuity corporate risk has just gone through a further Internal Audit review and the BC Officer has worked closely with Internal Audit to provide them with the support, evidence, and guidance neded to allow them to review this risk.</li> </ul>				<p>using alternative delivery models for council services. Identifying risks associated with alternative delivery models for specific services and recommend potential risk management solutions for implementation, to protect the delivery of our most critical services.</p>	

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
<p><b>Education – Schools Delegated Budgets</b></p> <p>Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans, impacting on the overall budgets for all schools.</p>	<p>Reputational / Legal / Financial.</p> <ul style="list-style-type: none"> <li>Budget implications.</li> <li>Reducing educational standards.</li> <li>Intervention from WG</li> </ul>	A	2	High Priority	<ul style="list-style-type: none"> <li>2016/2017 Budget allocations issued to schools in early March 2016 and monitoring arrangements put in place for those schools showing financial concern.</li> <li>Officers from Education and Financial Services have worked with individual schools through Headteachers and Governing Bodies to formulate Medium Term Financial Plans (MTFP) to seek to either balance individual school deficits within four financial years or to ensure that the accumulated deficits were frozen or slowed as much as possible.</li> <li>The previous fall in pupil numbers for certain schools made it clear that a longer period than four years was needed in order to achieve a balanced medium term position</li> <li>Officers continue to monitor and challenge those schools in deficit before allowing any additional financial commitments, both staffing and other expenditure.</li> <li>Work ongoing with all schools but focussed targeting on specific secondary schools to continue to dampen the growth in deficits and ensure that those that do occur are recoverable.</li> <li>Reviewing closely with Education Management Team and SOP in particular as to the opportunities available to address short medium term fall in pupil numbers for certain secondary schools</li> <li>For each school in deficit, the Council has identified a monitoring officer to provide an independent challenge to the school. This is in addition to the LFM Officer currently supporting that school</li> <li>Individual school budget monitoring positions reported to Education Management Team on a quarterly basis</li> <li>Officers have exercised the statutory powers of intervention in three secondary school governing bodies which is beginning to have a positive impact on the ability of the Council to ensure schools meet the targets set out in their deficit recovery plans.</li> <li>School Budget Forum has agreed a revised protocol for responding to schools in deficit and this needs regular review with a tightening on the number of deficit budgets accepted. This has been reflected in the harder message contained within the 2016/17 school budget letters and the 2016/17 Budget Report.</li> <li>Finance Officers continue to meet with Challenge Advisers to discuss individual schools in respect of their financial and school standard performance.</li> <li>The Council has been able to protect school delegated budgets over and above the Welsh Government threshold and a smaller number of schools than in 15/16 have been identified as requiring meeting with S151 officer and senior education officers. These meetings took place in April and early May.</li> </ul>	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>Council make full use, if necessary, of formal warnings and powers of intervention.</li> <li>Officers exercise the statutory powers of intervention on a school or schools in deficit who are unable to provide a medium term financial plan, this may involve removing delegation from a Governing Body.</li> <li>Officers explore through the School Organisation Planning process how different organisational arrangements for schools would affect the supply of pupils to schools thus affecting their delegated budgets. This will include an understanding of the long term impact of any unused school supply places on the funding formula.</li> <li>Work is continuing with the School Budget Forum and consortium to ensure that the formula funding mechanism is transparent and remains fit for purpose whilst considering any interaction or impact of any grant allocation decisions.</li> <li>Maintaining the need for financial probity whilst ensuring that each school has the opportunity to improve school standards.</li> <li>Working with consortium to ensure that maximising value from constituent parts of Education Improvement Grant is secured and that there is clarity of allocation mechanism for 2017/18 and beyond.</li> <li>Developing the medium term budget strategy for 2017/18 and providing early notification to budget forum and individual schools of likely impact of said strategy.</li> </ul>	<p><b>Nick Batchelar</b> <b>(Neil Hardee)</b></p> <p><b>Councillor Sarah Merry - Education</b></p>
<p><b>Legal Compliance</b></p> <p>Changes in services and staff roles across the Council resulting in:</p> <ul style="list-style-type: none"> <li>gaps in Council wide knowledge of the local authority framework of responsibilities and duties within which we have to operate;</li> <li>inability to deliver the services in accordance with all duties and responsibilities due to lack of resource:</li> </ul> <p>in each case leading to increased risk of challenges.</p> <p>Reduction and changes in front-line services, discretionary and statutory, will lead to increased risks of challenge from users and other stakeholders affected.</p>	<p>Reputational / Legal / Financial / Service delivery</p> <ul style="list-style-type: none"> <li>Increase in number of challenges with consequences in terms of already stretched resources and impact of adverse decisions</li> <li>Implementation of decisions delayed due to challenges and potentially fatally disrupted.</li> <li>Impact on projects if reputation for sound management and implementation of projects is damaged</li> <li>Major incident.</li> <li>Adverse press/media reaction</li> <li>Involvement from Welsh Government in terms of performance standards or measures.</li> <li>Increased costs on external legal support</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>Professional internal legal and financial advice provided to a high standard.</li> <li>Maintaining robust decision making process with legal implications on all Council, Cabinet and Committee reports and Officer decision reports at Director level.</li> <li>Appropriate use of NPS Legal Services by Solicitors Framework to increase resilience.</li> <li>Dedicated teams in specialist areas e.g. equalities, FOI / DPA.</li> <li>Sharing training/publications received.</li> </ul>	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>Prioritisation of work to make best use of internal expertise (including programme of projects in accordance with SMT decision)</li> <li>Continue efforts with exploration of collaboration with other legal services to see if there is the potential to increase resilience and / or efficiencies.</li> <li>Further development of standard precedents with guidance for use in cases of low value/low risk/repetitive matters</li> <li>Provide legal training to Directorates to develop knowledge within Directorates of specific statutory functions.</li> <li>Encourage Directorates to ensure reports are discussed at preliminary stage in development to ensure all legal issues are addressed early</li> </ul>	<p><b>Davina Fiore</b></p> <p><b>CIlr DeAth - Skills, Safety &amp; Engagement</b></p>
<p><b>Fraud, Bribery and Corruption</b></p> <p>Fraud, financial impropriety or improper business practices increase as internal controls are weakened as resources become severely stretched.</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> <li>Increase in frauds and losses to the Council.</li> <li>Reputational risk as more frauds are reported.</li> <li>Increased time investigating suspected fraud cases.</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>The Council communicates a zero tolerance approach to fraud, bribery and corruption.</li> <li>Regular review of relevant policies and procedures e.g. the Fraud, Bribery and Corruption Policy, Money Laundering Policy and Disciplinary Policy .</li> <li>Financial Procedure Rules and Contract Standing Order and Procurement Rules frameworks for staff to follow.</li> </ul>	B	3	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>Seek approval of a policy for Monitoring Employees at work and a management framework for its enactment.</li> <li>Work with Information Governance and Governance and Legal Services to produce a policy in respect of utilising Social Media for investigations.</li> <li>Continue to deliver the mandatory face to face training for investigating Officers to improve the standard of</li> </ul>	<p><b>Christine Salter</b> <b>(Ian Allwood)</b></p> <p><b>Councillor Graham</b></p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
					<ul style="list-style-type: none"> <li>Dedicated team of professionally trained and experienced investigators to prevent deter and detect fraud against the Council.</li> <li>Proactive work on National Fraud Initiative exercises led by the Internal Audit team, in collaboration with the Cabinet Office and Wales Audit Office.</li> <li>Receipt and dissemination of fraud intelligence alerts from law enforcement agencies.</li> <li>Regular reports to the Section 151 Officer and Audit Committee and the Chief Executive.</li> <li>Audit Committee review and assess the risk management, internal control and corporate governance arrangements of the authority.</li> <li>Independent assurance from Internal and External Audit on the effectiveness of governance, risk and control.</li> <li>Procurement team compliance role relating to contract procedure rules.</li> <li>Savings proposals are reviewed and supported by a robust business case and process in consideration of risks to the operation.</li> <li>Ongoing delivery of briefings to Schools on fraud and control risks.</li> <li>Cardiff Manager Programme includes session on risk management and compliance / control.</li> <li>Senior Management Assurance Statements – challenge to Directors and the Chief Executive.</li> <li>Provision of disciplinary management information on DigiGov.</li> <li>Multi-team collaboration in the development of the updated Disciplinary Policy and supplementary guidance materials.</li> <li>Mandatory disciplinary e-learning module for all managers to complete during 2016 and a programme of mandatory e-learning modules and training for Disciplinary Hearing Chairs, Investigating Officers and Presenting Officers.</li> <li>Report to Audit Committee September 16, raising awareness of the three documents published by CIPFA and an Executive Summary on Fighting Fraud and Corruption Locally.</li> </ul>				<ul style="list-style-type: none"> <li>investigations.</li> <li>Continue to deliver the mandatory face to face training for Disciplinary Hearing Chairs, and monitor training.</li> <li>Continue to build upon and enhance the mandatory face to face training programmes.</li> <li>Review process for ensuring appropriate fraud, bribery and corruption awareness for Council officers.</li> <li>Delivery of Cardiff Manager Programme.</li> <li>Review a sample of Disciplinary Hearing outcomes for consistent application of the Disciplinary Policy. Challenge inconsistent disciplinary sanctions and report findings to the Section 151 Officer and Audit Committee.</li> <li>Enhance DigiGov to facilitate changes introduced by the new Disciplinary Policy and the production of management information, by the end of quarter 3 2016.</li> <li>By the end of 2016/17 effectiveness will be measured against the Fighting Fraud and Corruption Locally Strategy.</li> <li>A Fraud Publicity Strategy has been approved, to publicise the Council's approach to counter fraud work / sanction activity and explain the roles and responsibilities of key parties.</li> <li>A draft Prosecution Policy will be presented to the Audit Committee to ensure that sanction activity is fair, consistent and in the public interest.</li> <li>Undertake a skills assessment of the investigation team and invest in training as appropriate.</li> </ul>	Hinchey - Corporate Services & Performance
<p><b>Asset Management</b></p> <p>Ensure effective operation of the Council's Asset Management Board to achieve effective strategic oversight and identified savings.</p>	<p>Reputational / Legal / Financial / Health &amp; Safety / Stakeholders</p> <ul style="list-style-type: none"> <li>Poor use of assets / VFM.</li> <li>Lost opportunity for capital receipts.</li> <li>Increased maintenance.</li> <li>Prosecutions / fines.</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>Cabinet formally approved a new Property Strategy in November 2014.</li> <li>Corporate Asset Management Board and supporting Working Group now set up to raise property profile and introduce more structured, disciplined approach to management of property and the Office Accommodation Rationalisation Programme.</li> <li>Established rolling programme of 'Fitness for Purpose' reviews of all council properties providing high level assessment of the current performance and value of buildings.</li> <li>Carbon Management / Energy Efficiency - Certificates / General Awareness / Introduction of Energy Renewables Strategy.</li> <li>Established Implementation Plan for the new Property Strategy.</li> <li>Determined governance and work programme updates for new Corporate Asset Management Board at meeting in January 2015.</li> <li>Review of Investment portfolio completed. Report on future strategy and direction of non-operational estate presented to PRAP in January 2015 for onward consideration by Cabinet in June 2015.</li> <li>Asset Management Plan considered by Cabinet in July 2015.</li> <li>Future Strategy and direction of the Council's non – operational Investment Estate approved by Cabinet in November 2015.</li> <li>Asset Management Board and Partnership Board fully operational.</li> <li>Delivered targets in Corporate Asset Management Plan in 2015-17 as follows: <ul style="list-style-type: none"> <li>Gross internal floor area reduced by 3.5%</li> <li>Maintenance backlog reduced by @£4.4m</li> <li>Running cost reduced by £1m</li> <li>Delivered £6.7 million capital receipts</li> </ul> </li> <li>Corporate Asset Management Plan 2016/17 considered by Cabinet in July 2016.</li> <li>A property investment board has been established comprising officers from Strategic Estates, Capital and Revenue Accounts and also an external property advisor. The external property advisor was appointed in March 16.</li> <li>Advisor appointed in Q1 to assist with the review of all investment assets and to develop an Investment Estate Strategy.</li> <li>Completed Insole Court community asset transfer (CAT), which was the largest CAT in Wales.</li> <li>Progressing Corporate Asset Management Plan targets. In quarter 2 we achieved 0.9 reduction in GIA, 2.2% reduction in running costs, £3,054,000 reduction in maintenance backlog, and £2,401,710 in capital receipts.</li> <li>Inaugural Investment Estate Strategy completed. Approved by Cabinet and Scrutiny.</li> </ul>	D	2	Medium Priority (Amber/Green)		Neil Hanratty  Councillor Phil Bale, Leader – Economic Development & Partnerships
<p><b>Workforce Planning</b></p>	<p>Reputational / Financial / Stakeholder / Service delivery</p> <ul style="list-style-type: none"> <li>Poor service delivery due to ineffective use of</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>Workforce strategy developed and agreed by Cabinet in April 2015</li> <li>The Workforce Strategy programme has been developed to</li> </ul>	B	3	Medium Priority	<ul style="list-style-type: none"> <li>Work is being carried out with WLGA and WAO to look at a Wales wide workforce planning process for use within Local</li> </ul>	Christine Salter

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
Importance of forecasting and planning to build capability and capacity for the future is not fully recognised and embedded.	<p>resources.</p> <ul style="list-style-type: none"> <li>Lack of resources with the knowledge and skills the Council requires for future delivery</li> <li>Loss of resources and recruitment problems.</li> <li>Poor morale</li> <li>Loss of experienced staff members including managers</li> <li>Reduce the likelihood of attracting high calibre managers to Cardiff Council</li> <li>Risk of not meeting statutory and legislative requirements in relation to specific workforce requirement e.g. social care.</li> <li>Risk of workforce not representing the communities to which services are delivered.</li> </ul>				<p>emcompass a number of projects which relate to the requirements around this risk, including Workforce planning, Learning &amp; Decvelopment, PPDR review and Employee Voice.</p> <ul style="list-style-type: none"> <li>The Workforce planning project has a completed project brief identifying a number of key outputs required for workforce planning including with to review, develop and implement workforce planning</li> <li>Workforce planning dashboard data provided to each Directorate to inform Directorate Delivery Planning discussions and development. The alignment of DDP's and the Workforce Strategy has been piloted within Children's Services.</li> <li>Behavioural Competence Framework implemented, including 12 behavioural competencies set out in 4 levels as a way in which the Council describes its people and jobs.</li> <li>Work is being carried out on linking processes that can be used for the identification and development of potential e.g. Recruitment &amp; Selection, PPDR and Cardiff Academy and underpinning these with the Competency Frameworks.</li> <li>Additional research and benchmarking undertaken to help inform WFP approach going forward; including – attendance at WLGA – Work Force Planning Wales event. LGA/ Skills for Local Government hosted COP event.</li> <li>HR working with Directorates where required, to help identify appropriate strategies to support their WFP agenda.</li> <li></li> <li>Children's Services have developed a Workforce Strategy for their area which is being reviewed on a regular basis.</li> <li>Resources have held a workshop which focussed on Professional and Technical areas to inform the key skills required for the Directorate going forward.</li> <li>Work has taken place with Cardiff and Vale College to look at an Essential Skills diagnostic tool and this is now being rolled out to frontline employees through Commercial Services</li> <li>A programme of NVQ study is been discussed with Cardiff &amp; vale College and Commercial Services are coming forward with cohorts of employees to attend.</li> <li>Employee surveys carried out to identify areas where further employee engagement / development can be focused.</li> </ul>			(Red/ Amber)	<p>Authorities.</p> <ul style="list-style-type: none"> <li>The programme plan for the Workforce Strategy Programme gives full details of the improvement action plan. The milestones are set out in the programme plan and regularly reviewed. This plan is reviewed monthly through the Enabling and Commissioning Board.</li> <li>A review of the courses provided by the Cardiff Academy is taking place to ensure that these meet the skills requirements for the future.</li> <li>The Council is committed to providing apprenticeships and traineeships for young people and this programme is to be enhanced further with a specific target for 2017/18.</li> <li>The Council is to look at its resourcing strategies to ensure that it is a considered employer for young people leaving school, college and universities.</li> <li>Recruitment advertising to be reviewed and processes put in place to ensure that adverts a reaching hard to reach groups</li> <li>Work is taking place to identify areas where the employee group is not representative of the communities and actions identified of what could be done to improve this</li> <li>Actions being taken to improve the accessibility to Welsh language either through the recruitment process or through the training and development of current employees</li> <li>Development of take place of a corporately agreed skills set for the future delivery of services so that all employees and posts can be measured against this skill set to identify learning and development gaps</li> <li>Workforce planning tool kit to be rolled out to pilot areas during 2017/18 and then full rollout from 2018/19</li> <li>An IT solution to be sourced during 2017/18 in order to develop workforce planning further and to ensure that the Coucnil has available the data it requires to ensure efficient workforce planning in the future</li> </ul>	<p>(Philip Lenz)</p> <p>Councillor Graham Hinchey - Corporate Services &amp; Performance</p>

## The County Council of the City and County of Cardiff Audit Committee Update – March 2017

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### Financial audit work 2016-17 – Cardiff and Vale of Glamorgan Pension Fund

Activity	Scope	Status
<b>Audit Plan</b>	Plan of financial audit work for 2016-17.	Audit Committee April 2017.
<b>Financial Statements/Annual Audit Letter</b>	Audit of the Pension Fund's 2016-17 financial statements and Annual Audit Letter.	Audit Committee September 2017.

### Financial audit work 2016-17 – The County Council of the City and County of Cardiff

Activity	Scope	Status
<b>Audit Plan</b>	Plan of financial audit work for 2016-17.	Audit Committee April 2017.
<b>Financial Statements 2016-17</b>	Audit of the Council's 2016-17 financial statements.	Audit Committee September 2017.
<b>Certification of Grants &amp; Returns 2016-17</b>	Summary of grants and returns certification work 2016-17.	Audit Committee March 2018.
<b>Annual Audit Letter</b>	Report summarising our 2016-17 financial audit work.	Audit Committee December 2017.



Performance Audit work – the County Council of the City and County of Cardiff

2015-16 Local Government Studies	Scope	Status
The strategic approach of councils to income generation and charging for services	Audit of councils' strategic approach to charging.	Report published November 2016.
Council funding of third-sector services	The study looked at the level of investment in voluntary sector services to benchmark findings against 2009-10 to determine whether the principles of good governance in funding third sector services are being followed.	Report published January 2017.
The effectiveness of local community safety partnerships	The study looked at the effectiveness of community safety partnerships and the impact of the work of partnerships in delivering improvement within their communities.	Report published October 2016.
2016-17 Improvement Assessment	Scope	Status
Corporate Improvement Plan Audit	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to set improvement objectives.	Completed. Certificate issued Apr 2016.
Improvement Report Audit	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to publish a self-assessment of performance in the previous year by 31 October.	Completed. Certificate issued Nov 16.
Financial Resilience	Councils are continuing to deal with austerity and an uncertain future. This review will	Draft report issued December 2016, final report due to be issued March 2017.

<b>Governance</b>	seek to provide assurance that arrangements are focussed on maintaining resilience over the medium to long term.	
	This review will provide councils with a baseline from which to plan improvements to governance following the introduction of CIPFA’s revised framework and the requirement for councils to adopt the sustainable development principle from April 2016	Draft report issued January 2017, final report due to be issued March 2017.
<b>Transformation</b>	This baseline review will examine how councils are approaching transformation.	Scoping.
<b>Review of the Councils arrangements for demonstrating it is addressing the recommendation and proposal for improvement in the Corporate Assessment follow-on report, including:</b>	Review of Council's monitoring of progress against Asset Management PFI	To be included in Annual Improvement Report, June 2017
	Data Quality Review	Presentation issued December 2016
	Review of the Council's monitoring and management of performance PFI	Output originally due to be issued January 2017. Fieldwork now scheduled for February 2017.
	Review of Council's monitoring of progress against Governance PFIs	Fieldwork scheduled for February 2017. Output to be issued April 2017
	Review of the Council's progress in monitoring actions in relation to Corporate Enablers PFIs	To be included in Annual Improvement Report, June 2017

	Review of the Council's progress in monitoring actions in relation to Leadership and Management PFI	To be included in Annual Improvement Report, June 2017
	Review of the Council's assessment of year end performance and outcomes for 2016-17	To be included in Annual Improvement Report, June 2017
<b>Annual Improvement Report (AIR)</b>	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'	Scheduled for June 2017
<b>2016-17 Local Government Studies</b>	<b>Scope</b>	<b>Status</b>
<b>Improving wellbeing through housing adaptations</b>	We will review how adaptations prevent access to and speed up discharge from hospitals. The work will look at how health use adaptations to underpin their activity as well as how efficient and effective organisations are at procuring and delivering adaptations work.	In progress.
<b>Strategic commissioning of learning disability services by local authorities</b>	Fieldwork will focus on both the corporate approach to strategic commissioning but also use findings from the tracer area to understand how effective operational arrangements are. We are working with CSSIW and SSIA and will be building on recent national inspection and support work on learning disabilities.	In progress.



**How local government manages demand -  
Homelessness services**

The study will focus on homelessness in local authorities using the recent prevention duties placed on local authorities to judge how demand for services is managed.

In progress.

**National Studies update**

<b>Study</b>	<b>Update and link to report</b>
<b>Coastal Flood and Erosion Risk Management</b>	Published July 2016 <a href="http://www.audit.wales/publications">http://www.audit.wales/publications</a>
<b>The Welsh Government's funding of Kancoat Ltd</b>	Published July 2016 <a href="http://www.audit.wales/publications">http://www.audit.wales/publications</a>
<b>National Fraud Initiative 2014-15</b>	Published July 2016 <a href="http://www.audit.wales/publications">http://www.audit.wales/publications</a>
<b>Welsh Government responses to audit recommendations.</b>	Published July 2016 <a href="http://www.audit.wales/publications">http://www.audit.wales/publications</a>
<b>Welsh Government Investment in Rail Services and Infrastructure</b>	Published Sep 2016 <a href="http://www.audit.wales/publications">http://www.audit.wales/publications</a>
<b>Welsh Government oversight of further education finances and delivery</b>	Clearance
<b>Public Procurement</b>	Fieldwork in progress
<b>Regional Educational Consortia</b>	Published Nov 2016 <a href="http://www.audit.wales/publications">http://www.audit.wales/publications</a>
<b>Hospital Catering Follow Up</b>	Published September 2016 <a href="http://www.audit.wales/publications">http://www.audit.wales/publications</a>
<b>Preparedness for the introduction of fiscal powers</b>	Published November 2016 <a href="http://www.audit.wales/publications">http://www.audit.wales/publications</a>
<b>Governance of the National Library of Wales</b>	Published December 2016 <a href="http://www.audit.wales/publications">http://www.audit.wales/publications</a>
<b>Medicines Management</b>	Clearance
<b>Discussion Paper: The Governance Challenges Posed by Indirectly Provided, Publicly Funded Services in Wales</b>	Published February 2017 <a href="http://www.audit.wales/publications">http://www.audit.wales/publications</a>
<b>Outpatient follow up appointments</b>	Preparing for publication
<b>Circuit of Wales</b>	Drafting
<b>Emergency Ambulance Services Commissioning</b>	Clearance
<b>School places and capital investment in schools (21<sup>st</sup> Century Schools Programme)</b>	Clearance
<b>Waste Management</b>	Drafting (Modules 1 & 2), Module 3 commencing February 2017.

<b>Implementation of the NHS Finances (Wales) Act 2014 (Integrated Medium Term Planning)</b>	Fieldwork
<b>Supporting people programme</b>	Fieldwork
<b>NHS Wales Informatics Services</b>	Fieldwork
<b>Access to public services with the support of specialist interpretation and translation</b>	Fieldwork
<b>Preparedness for the introduction of fiscal powers</b>	Yet to start
<b>Early intervention and public behaviour change</b>	Fieldwork

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**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD**

**AUDIT COMMITTEE:**

**14 March 2017**

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**TREASURY PERFORMANCE REPORT – POSITION AT 28  
FEBRUARY 2017**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: X(x)**

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**Appendix 1 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.**

**PORTFOLIO: CORPORATE AFFAIRS**

**Reason for this Report**

1. The Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices.
2. This report has been prepared to provide Audit Committee Members with performance information and a position statement on Treasury Management as at 28 February 2017.

**Background**

3. Appendix 1 provides the Committee with position statements on investments and borrowing at 28 February 2017. There is deemed to be little change for Audit Committee to note since the previous position statement for 31 December 2016 received by Audit Committee in January 2017.

**Performance**

4. At 28 February 2017, investments total £87.5 million. The forecast level of interest receivable from treasury investments is £0.5 million.
5. Borrowing is £671.7 million, with the average rate being 4.76%. The total interest forecast to be payable is £32.4 million as at the Month 9 budget monitoring position. No new PWLB borrowing is currently planned for the remainder of the financial year. Based on current capital programme commitments, the estimated level of internal borrowing at 31 March 2017 is £52 million.

**Investments**

6. Pages 2 and 3 of both Performance Reports consider the position on investments. The charts on the Performance Report show the position at a point in time and investments continue to be closely monitored.
7. The current investments list details each investment, the interest rate, the start date and maturity date. They also link this back to the credit criteria approved by Council in February 2017 by a colour coding which indicates the perceived strength of the organisation.
8. The balance of investments is at a point in time and will fluctuate depending on the timing of income and expenditure e.g. payments to suppliers, receipt of grants, capital receipts etc.
9. The charts that surround this table provide additional information and the key areas to highlight are shown below.
  - **Counterparty Exposure** displays actual investment against the maximum permitted directly with an organisation – This demonstrates that we are not exceeding any exposure limits.
  - **Remaining Maturity Profile of Investments.** Maturities of investments have been spread to achieve a balanced profile.
  - **Investments by Institution.** This expresses the investments held with different institutions as a percentage of the total. It can be seen that investments remain diversified over a number of organisations.
  - **Geographic Spread of Investments** as determined by the country of origin of relevant organisations. All countries are rated AA and above as per our approved criteria.
  - **Investments by Financial Sector.** The majority of investments are with banks.

### **Borrowing**

10. Since the December 2016 performance report, £3.6 million of maturing PWLB loans have been repaid and an additional £0.03 million of interest free loans from SALIX for specific capital projects have been included.

### **Reason for Report**

11. To provide Audit Committee Members with a performance position statement at 28 February 2017.

### **Legal Implications**

12. No direct legal implications arise from this report.

### **Financial Implications**

13. Treasury management activities undertaken by the Council are governed by a range of policies, codes of practice and legislation. This report and appendices indicates the treasury management position at one point in time and makes a number of assumptions in forecasts which will be updated in future reports. The report provides a tool for indicating to Members the treasury position. Future reports will highlight main changes since this report.

## **RECOMMENDATIONS**

14. That the Treasury Performance Report for 28 February 2017 be noted.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
**01 March 2017**

*The following appendix is attached*

Appendix 1 – Cardiff Council Treasury Management Performance Report – 28 February 2017

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**PROPOSED TREASURY MANAGEMENT PRACTICES - APRIL  
2017 ONWARDS**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM 8.2**

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**Appendix 1 and 2 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972**

**PORTFOLIO: CORPORATE AFFAIRS**

**Reason for this Report**

1. The Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and Practices.
2. This report has been prepared to provide Audit Committee Members with the proposed Treasury Management Practices (TMP's) to apply from April 2017.

**Background**

3. The Council carries out its treasury management activities in accordance with a code developed for public services in 2011 by the Chartered Institute of Public Finance and Accountancy (CIPFA). This requires the preparation of what are termed 'Treasury Management Practices' and the areas which these must cover are specified.
4. The purpose of TMP's are to demonstrate that the Council's Treasury Management activities are carried out in an open and transparent framework. These are reviewed periodically under delegation FS5 to the Corporate Director Resources.

## Issues

5. The Council's proposed Treasury Management Practices as attached at Appendix 1 and are based on the requirements of the CIPFA Code and also consider content as suggested by the Council's Treasury Management advisors. The document covers controls, processes and practices in the following twelve areas:-
  - Treasury risk management.
    - Credit and counterparty risk management.
    - Liquidity risk management.
    - Interest rate risk management.
    - Exchange rate risk management.
    - Refinancing risk management.
    - Legal and regulatory risk management.
    - Fraud, error and corruption, and contingency management.
    - Market risk management.
  - Performance management.
  - Decision-making and analysis.
  - Approved instruments, methods and techniques.
  - Organisation, clarity and segregation of responsibilities, and dealing arrangements.
  - Reporting requirements and management information arrangements.
  - Budgeting, accounting and audit arrangements.
  - Cash and cash flow management.
  - Money laundering.
  - Training and qualifications.
  - Use of external service providers.
  - Corporate governance.
6. An Internal Audit review of the TMP's as part of their periodic audit of the Treasury Function was undertaken in February 2017 including testing of treasury processes and systems. No significant concerns were raised.
7. The Audit Committee previously received updated Treasury Management Practices in March 2016. Whilst there has been some changes to wording in this updated version, there has been no requirement to make significant changes as a result of changes in practice. The changes are identified in Appendix 2. Any impact on existing Treasury Management Practices as a result of implementation and development of Cardiff Capital Region City Deal will be kept under review.

### **Reason for Recommendations**

8. To note and provide comments on the proposed treasury management practices to apply from April 2017 which assists in the review and assessment of the risk management, internal control and corporate governance arrangements of the authority in relation to treasury activities.

### **Legal Implications**

9. No direct legal implications arise from this report.

### **Financial Implications**

10. There are no direct financial implications arising from this report.

### **RECOMMENDATIONS**

11. Audit Committee to note the Treasury Management Practices to be implemented from April 2017.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
**1 March 2017**

*The following appendix is attached*

Appendix 1 – Treasury Management Practices and Appendices – Valid from April 2017

Appendix 2 – Changes made to 2016/17 Treasury Management Practices

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By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

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**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD****AUDIT COMMITTEE: 14 MARCH 2017****INTERNAL AUDIT PROGRESS UPDATE****REPORT OF THE HEAD OF FINANCE****AGENDA ITEM: 9.1**

**Appendix B of Annex 1 of the report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972**

**Reason for this Report**

1. The Audit Committee's Terms of Reference requires that Members consider reports from the Audit Manager on Internal Audit's performance during the year e.g. progress reports.
2. This report has been prepared to provide the Audit Committee Members with an update on the work of Internal Audit up to 24 February 2017.

**Background**

3. An Audit Plan is prepared each year which acts as a yardstick by which the work of Internal Audit can be measured.
4. The Head of Finance prepares quarterly briefings and a half yearly progress report outlining the work undertaken by the audit teams and key performance information.
5. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence is maintained as the Head of Finance reports functionally to the Audit Committee for all audit-related matters. The Head of Finance reports administratively and otherwise professionally to the Corporate Director, Resources.
6. Progress reports are discussed with the Corporate Director Resources, to provide them with a meaningful update of the work of the team and to give them the opportunity to discuss changing priorities. This is then presented to Audit Committee.

**Issues**

7. The progress report is attached at Annex 1 for information.
8. The progress report outlines the productivity performance of the Internal audit function and the position at the end of 24 February 2017 in relation to the status of the audits and the assurance opinions that have been completed.
9. The progress report also identifies that 644 recommendations have been made in 88 reports issued. Whilst 100% of the red risk recommendations have been accepted, the key success factor for the Council is the number of actioned recommendations. In considering the Audit Plan for 2017/18, there will be a focus on ensuring that the implementation of audit recommendations will be captured and a priority for the Council. The progress update provides further information on the revised approach to be taken in respect of follow up audits.

10. Looking forward to 2017/18, the audit progress update sets out the revision to the assurance ratings that will be implemented. The purpose of the new assurance ratings is to provide clarity and consistency to both auditors and their clients. The number of High Assurance ratings over the last few years has been negligible thus the usefulness of this category is debatable.

#### **Legal Implications**

11. There are no legal implications arising from this report.

#### **Financial Implications**

12. There are no financial implications arising from this report.

#### **RECOMMENDATIONS**

13. That the Committee note the report.
14. That the Committee considers what comments it wishes to make, if any, on the revised assurance ratings.

**IAN ALLWOOD  
HEAD OF FINANCE**

The following is attached: **Annex 1**: Internal Audit Progress Report, 2016-17



# CORPORATE RESOURCES INTERNAL AUDIT SECTION

## INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD ENDING 24.02.17

**Open**  
We are open and honest about the difficult choices we face, and allow people to have their say on what's important to them and their communities

**Fair**  
We champion fairness, recognising that with less resource we need to prioritise services for those who need them most

**Together**  
We work with our communities and partners across the city to deliver the best outcomes for the people of Cardiff



## INTERNAL AUDIT PROGRESS REPORT

### 1. Background

- 1.1 The Internal Audit plan for 2016/17 was approved by the Audit Committee at its meeting in June 2016. The plan provides the framework for audit work in the forthcoming year and is aligned to the Council's corporate governance arrangements, whilst also being responsive to changes to risks faced by the Council during the year.
- 1.2 The Internal Audit plan for 2016/17 consisted of a total of 3,930 (3,310 for the audit team and 620 for the investigations team). The Audit Committee agreed 2,700 chargeable days for the year – 2,300 for the audit team and 400 for the investigations team. The teams use SharePoint to record progress against assignments (both assurance and consultancy) and the number of assignments recorded there will change throughout the year as the section adapts to changes in corporate risks and unplanned assignments.
- 1.3 This report serves to provide an update on progress against the plan to the end of February 2017, as well as providing information relating to any audits of particular concern to members where there has been a "Limited" or "No" Assurance audit opinion during Q4 to date.

### Audit team

### 2. Audit findings and performance

- 2.1 The number of audits produced and completed are projected to be in excess of 100 which is a greater number than produced in 2015/16.
- 2.2 There have been no final reports issued in 2016/17 with a high assurance opinion. The opinions given to reports issued to 24<sup>th</sup> February 2017, are shown below:

	Number of reports	Opinion			
		Satisfactory	Limited	No	No opinion
Draft reports issued	12	2	2	1	7
Final reports issued	44	17	19	2	6
Closed	47	21	9	0	17
<b>TOTAL</b>	<b>103</b>	<b>40</b>	<b>30</b>	<b>3</b>	<b>30</b>

- 2.3 The current practice is such that Audit Committee will be made aware of any instances where an opinion of "No" Assurance" is issued or in the instance of a follow up audit where the opinion remains "Limited" or "No" Assurance. All reports with a "limited" or "no" assurance opinion are recorded in order to ensure this is regularly monitored. There are 52 audits that are due to be followed up, 25 of which have been undertaken to date, (and included in the table above), although it should be noted that not all follow up audits are yet due to be undertaken.
- 2.4 Under the Public Sector Internal Audit Standards (2500.A1) "The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action." As the above paragraph states, a significant amount of resources is currently used in delivering follow up audits. As a result for 2017/18, audit will look to refine the way audit recommendations are captured, reviewed and monitored. This will in practice put the responsibility firmly with the

directorates to report against each recommendation within the timescale prescribed. Where information is either not received in time or actions have not been completed then the Audit Manager will report to Audit Committee as part of the audit progress update. Information will include those outstanding, completed, on schedule and overdue with relevant detail being shared.

2.5 The proposed approach will enable audit resources to focus on those recommendations not being implemented within the prescribed timescales. By targeting recommendations rather than performing follow up audits this will allow resources to be released both to focus on gaining assurance on implementation of agreed recommendations but also to increase capacity within the team.

3. Progress against plan

3.1 The number of chargeable days allocated to audits to 28<sup>th</sup> February 2017 is 1,719 (against a pro-rata plan of 2,108 days), which is almost 82% of the planned chargeable days. The performance of the team is shown in the table below:

	<b>Plan 2016/17</b>	<b>Performance to 24.02.17</b>	<b>Performance to Q3, 2015/16</b>
Audit days delivered (pro-rata)	2,108	1,719	1,184.50
Productive time of team (% of work time spent on audit work)		82.74%	76.67%
Chargeable days / total days available (%)	70%	61.51%	
Audits delivered within budgeted days		47	

3.2 The percentage of chargeable time against total days available is lower than the target of 70%. This is due to a number of factors, one of which is the reduction (almost 120 days) in the chargeable time of the Principal Auditor (Risk and Governance), who has moved to another section within Finance. The section also has a vacancy for a Principal Auditor, and the recruitment process for this post is currently on-going.

3.3 However, there has been an increase over plan in non chargeable time, partly due to additional training being held following the annual skills assessment which identified some skills gaps in the team. Time has also been spent on the development and adoption of a new DigiGOV time recording system. A review is currently being taken in respect of the amount of time spent on general tasks.

3.4 There have been 15 planned audits that will not be undertaken in 2017/18. The primary reason is as a result of processes or systems being closed, have been recently implemented, or are currently in significant transition.

3.5 There are 27 assignments that have not yet been started, some of which will be started during the quarter and which will be completed in Q1, 2017/18. This is partly as a result of the move out of the section of two members of staff, but also due to 34 unplanned assignments which the section has undertaken during the year to date at the request of senior management.

3.6 There are eleven consultation assignments. Six of these assignments have been closed and two are at draft report issued stage. One consultation assignment relating to the peer assessment under the PSIAS that Cardiff was due to undertake at another Council was deferred until 2017/18 at the request of that Council.

4. Added value

4.1 The Internal Audit section has added value to the work of the Council by providing objective and relevant assurance, and by contributing to the effectiveness and efficiency of governance and internal control processes. The section has received 100% satisfaction rating from clients and all have considered that the reports produced added value to the work of the services. This echoes the results from previous years.

4.2 A total of 644 recommendations have been made in the 88 reports issued so far in 2016/17, and it should be noted that 100% of the red risk recommendations have been accepted. If a situation arose where red risk recommendations are not accepted, the reviewing manager for the audit would discuss this with the auditee; if this does not resolve the matter, it would be escalated to the Group Auditor or Head of Finance as appropriate. In total, only four recommendations made have not been accepted (two red / amber and two amber / green).

5. Assurance Ratings for 2017/18

5.1 The proposed audit plan for 2017/18 can be found at agenda item 9.2, and this sets out more detail to the draft plan that was presented to Audit Committee at the January 2017 meeting. The Internal Audit team has considered the usefulness of the current assurance ratings and as a result the Audit Manager will be implementing a new set of assurance ratings for the new year. In addition, the recommendation rating system has been maintained but further detail will be forthcoming in order to communicate to all stakeholders the meaning and rationale behind each rating.

5.2 The ratings for recommendations that are currently are based on four levels (red, red / amber, amber / green and green); each has a suggested time frame for the implementation of each category of recommendation. For example, it is recommended that management action for a red recommendation should be undertaken within one month unless a more appropriate timescale is agreed with management. The current recommendations are shown below:

Priority Level	Explanation	Management Action
Red	Significant management action, control, evaluation or improvements required, with continued proactive monitoring.	Within one month
Red / Amber	Seek cost effective management action, control, evaluation or improvements, with continued proactive monitoring.	Within three months
Amber / Green	Seek cost effective control improvements, if possible and / or monitor and review regularly.	Within six months
Green	Seek control improvements, if possible and / or monitor and review.	Within twelve months



5.3 Following discussions within the team, the consensus was that ratings for recommendations were not changed, but redefined on a risk basis rather than a time basis. There are a number of methodologies for setting risk ratings in relation to audit findings based on the key controls examined during an audit, and it was suggested that the definitions within the IIA suggested framework for “Formulating and Expressing Internal Audit Opinions” should be used. Therefore, the definitions that have been chosen to be used from 2017/18 are as shown below:

Rating	Criteria
High / Red	<p>This is a high priority issue and immediate attention is required. This is a serious internal control or risk management issue that, if not mitigated, may (with a high degree of certainty) lead to:</p> <ul style="list-style-type: none"> <li>• Substantial losses, possibly in conjunction with other weaknesses in the control framework or the organisational entity or process being audited</li> <li>• Serious violation of Council strategies, policies or values</li> <li>• Serious reputational damage</li> <li>• Significant adverse or regulatory impact, such as loss of operating licenses or material fines</li> </ul> <p>Examples are:</p> <ul style="list-style-type: none"> <li>• A policy / procedure does not exist for significant Council processes</li> <li>• Preventative, detective and mitigating controls do not exist</li> <li>• Council reputation or financial status is at risk</li> <li>• Fraud or theft is detected</li> <li>• Council is not in compliance with laws and regulations</li> </ul>
Medium / Red Amber	<p>This is a medium priority issue and timely management action is warranted. This is an internal control or risk management issue that could lead to:</p> <ul style="list-style-type: none"> <li>• Financial losses</li> <li>• Loss of controls within the organisational entity or process being audited</li> <li>• Reputation damage</li> <li>• Adverse regulatory impact, such as public sanctions or immaterial fines</li> </ul> <p>Examples are:</p> <ul style="list-style-type: none"> <li>• A policy exists but adherence is inconsistent</li> <li>• Preventative and detective controls do not exist, but mitigating controls do exist</li> <li>• The Council’s compliance with laws and regulations requires additional evaluation and review</li> <li>• There is a possibility of inappropriate activity</li> </ul>
Medium / Amber Green	<p>This is a low priority issue and routine management attention is warranted. This is an internal control or risk management issue, the solution to which may lead to improvement in the quality and / or efficiency of the organisational entity or process being audited.</p> <p>Examples are:</p> <ul style="list-style-type: none"> <li>• A policy exists, but was not adhered to on an exception basis</li> <li>• Preventative controls do not exist, but detective and mitigating controls exist</li> <li>• There is a remote possibility of inappropriate activity</li> </ul>
Low / Green	Best practice

- 5.4 Whilst it is accepted that ratings and assurance opinions should not change frequently in order to ensure consistency, discussions within the audit team have identified that it is timely but also necessary to consider changing the definitions used to grade audits.
- 5.5 There are currently four levels of opinion (high assurance, satisfactory assurance, limited assurance and no assurance). A review of the opinions both for 2016/17 and previous years will show that very few audits are either given high or no assurance. In effect, the audit opinion has only three options one of which is no assurance.
- 5.6 Based on the IIA framework, discussions within the audit team and stakeholders the assurance opinions that have been chosen to use from 2017/18 are:
- (a) Effective
  - (b) Effective with opportunity for improvement
  - (c) Insufficient with major improvement needed
  - (d) Unsatisfactory

These are defined below:

Assurance level	Definition
Effective	<ul style="list-style-type: none"> <li>• The controls evaluated are adequate and appropriate</li> <li>• The control environment appears sound to provide reasonable assurance that all high level risks are adequately controlled</li> <li>• No findings noted (or a small number of low risk recommendations)</li> </ul>
Effective with opportunity for improvement	<ul style="list-style-type: none"> <li>• A few specific control weaknesses and/or opportunities for improvement were noted</li> <li>• Controls evaluated are otherwise adequate and appropriate to provide reasonable assurance that risks are adequately controlled</li> </ul>
Insufficient with major improvement needed	<ul style="list-style-type: none"> <li>• Some high level risks are not adequately controlled</li> <li>• Numerous specific control weaknesses were noted</li> <li>• Although immediate soundness and safety are not threatened, the control environment requires improvement as it does not provide reasonable assurance that all high level risks are adequately controlled</li> <li>• There may be a risk of exposure to fraud or security vulnerabilities</li> </ul>
Unsatisfactory	<ul style="list-style-type: none"> <li>• The control environment is not adequate and is below standard</li> <li>• The control environment is considered unsound</li> <li>• A lack of attention could lead to significant losses</li> </ul>

- 5.7 The use of these recommendations does not preclude the audit opinion from highlighting best practice and its dissemination across other similar functions. However, using these recommendation priorities and overall opinions with clear examples will help to increase consistency across the team as well as communicate more effectively with clients.
- 5.8 Where there is doubt around the priority rating to be assigned to a recommendation or the overall opinion, discussions will take place with the Reviewing Manager to ensure that the outcome is consistent, fair and evidence based.

**Investigation team**

6. Progress against plan

6.1 The number of chargeable days allocated to investigations to 28<sup>th</sup> February 2017 is 413 (against a pro-rata plan of 367 days).

7. National Fraud Initiative (NFI)

7.1 Matches have been received from the Cabinet Office in respect of the latest round of the Data Matching exercise, NFI 2016. More than 2,000 cases have been identified that require interrogation. In addition to investigating matches, the Investigation Team coordinates the exercise for the council and liaises with the Cabinet office and Wales Audit Office.

8 Investigating Officer Training

8.1 The Investigation Team continues to deliver mandatory face to face training to officers who may be tasked with conducting the role of Investigating Officer as part of the new Disciplinary Policy. This year more than 190 officers have attended the training.

9 Fighting Fraud and Corruption Locally

9.1 A paper was presented to the Audit Committee during September 2016 to provide a briefing on Fighting Fraud and Corruption Locally - The local government counter fraud and corruption strategy. The Investigation Team has adopted the strategy and is currently working to implement all of the recommendations and best practice.

9.2 The Investigation Team report is attached at Appendix B.

**10. Conclusions**

10.1 There are a number of positive aspects of the performance of the Internal Audit section during 2016/17. The number of actual chargeable days delivered by both teams has increased over the same period last year and there is a high level of acceptance of the recommendations made during audits. There are still a number of audits with "limited assurance" or "no assurance" opinions, and work is on-going with those directorates to improve internal controls.

10.2 Looking forward to 2017/18, the assurance rating system will be changed in order to provide four categories which can be used depending on the findings of the audit. Preparatory work with the internal audit team suggests that the language being used in the new system is clearer and there is a strong feeling that this will assist in communicating the audit opinion going forward. The audit opinion is ultimately grounded by the quality of the audit recommendations and their level of appropriateness.

10.3 The implementation of audit recommendations will be a key focus of the 2017/18 audit plan and the proposed changes to the follow up of audits is designed to support this whilst ensuring that resources are used effectively and efficiently.

## Reports Issued to 28.02.17

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
<b>Fundamental / High</b>				
Council Tax 2015/16	Satisfactory			
Housing Rent Arrears	Satisfactory			
Housing Rent Setting	Satisfactory			
Local Housing Allowance	Satisfactory			
Income Management	Limited	0	0	
Allocations, lettings and voids	Satisfactory			
<b>Medium</b>				
Bishop Childs Primary School	Limited	4	4	
Trowbridge Primary School	Limited	16	16	
Carbon Reduction Commitment	Satisfactory			
Payments to Care Leavers	Limited	5	5	
Danescourt Primary School	Limited	4	4	
ICT – Cloud Computing	Satisfactory			
CRSA – agile working	Satisfactory			
CRSA – mobile working and scheduling	Satisfactory			
CRSA – office rationalisation	Satisfactory			
Riverbank	No	15	15	
St. Alban's Primary School	Limited	4	4	
CRSA – infrastructure ADM	Satisfactory			
Staffed Accommodation (KD148)	Satisfactory			
Staffed Accommodation (KD152)	Satisfactory			
Glamorgan Archives	Satisfactory			
British Council projects	Limited	14	14	
ICT – Business Continuity and Disaster Recovery	Limited	7	7	
CMS – purchasing cards	Satisfactory			
Birchgrove Primary School	Limited	8	8	
Direct Payments – Social Services	Limited	3	3	
Fostering payments	Satisfactory	1	1	
Rhiwbina Primary School	Limited	8	8	
Adamsdown Primary School	Limited	6	6	
Carbon Reduction Commitment	Satisfactory			
School transport	Satisfactory			
St. Illtyd's	Limited	19	19	
St. Joseph's	Limited	5	5	

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Corpus Christi	Limited	8	8	
Peter Lea	Limited	10	10	
Highways Maintenance	Limited	9	9	
ICT – Microsoft Exchange	Satisfactory			
ICT – end point security	Satisfactory			
ICT – Back up management	Satisfactory			
Stores - Joint Equipment Service	Satisfactory			
OD governance	Satisfactory			
Functions and Retail Catering	Limited	6	6	
Citizen Hubs – HR practices	No	6		Draft report issued
<b>Follow-ups</b>				
Payroll overpayments	Limited	1	1	
Brindley Road Stores	Limited	1	1	
Mental Health contracts	Satisfactory	1	1	
St. Monica's Primary School	Limited	3	3	
Cantonian	Satisfactory	1	1	
Lansdowne Primary	Limited	13	13	
Ninian Park	Satisfactory			
Woodlands	No	11	11	
Pen y Bryn Primary	Satisfactory			
Supporting People	Limited	2	2	
Weighbridge	Satisfactory	1	1	
St. Alban's	Limited	4	4	
Glyn Derw Michaelston	Deferred			
Civil Parking Enforcement – PCN	Satisfactory			
Youth Centre inventories	Limited	4	4	
Trowbridge Primary	Satisfactory	1	1	
Bishop Childs CiW Primary	Satisfactory			
Lansdowne Primary	Satisfactory			Desk top review
Land Charges	Satisfactory			Draft report issued
<b>Ad hoc assignments</b>				
CRSA – Schools				On-going
Financial Resilience				Draft report issued
Welsh Purchasing Consortium	Joint Committee statements for 2015/16 accounts			
Port Health	Joint Committee statements for 2015/16 accounts			
Glamorgan Archives	Joint Committee statements for 2015/16 accounts			
Prosiect Gwyrdd	Joint Committee statements for 2015/16 accounts			

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
<i>Mileage and subsistence</i>				
Contract query – Christmas tree				
Contract query – Fern Place				
Adopted Land				
WLGA – health check				
<b><i>Value for Money Studies</i></b>				
Agency costs				
Annual Leave				
Heath Park operating contract (tennis and golf)				
Postage costs				
<b><i>Grants</i></b>				
Illegal Money Lending Unit				
Homelessness grant				
Education Improvement grant				
<b><i>Final accounts</i></b>				
Demolition of flats, Clevedon Road				

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**INTERNAL AUDIT PLAN 2017-18**

**REPORT OF HEAD OF FINANCE**

**AGENDA ITEM: 9.2**

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**Reason**

1. The revised Audit Committee's Terms of Reference requires members to approve the risk-based internal audit plan, containing internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
2. This report has been prepared to provide Audit Committee Members with the details of the Internal Audit Plan for 2017-18.

**Background**

3. At its meeting on 24<sup>th</sup> January 2017, members were presented with the Draft Internal Audit Charter 2017-18 and, contained within this, and the Terms of Reference, were sections outlining the submission of a draft risk based Audit plan. The Audit Committee was asked to consider and provide comments in respect of the draft 2017/18 Internal Audit Plan.
4. The Plan has been further developed in detail, for approval by Audit Committee at this meeting. In discussions with senior management in directorates, a risk based methodology was used to shape the audit plan which clearly sets out the activities of internal audit for 2017/18.

**Issues**

5. The Audit delivery plan has a wide coverage and the resources are broadly covered in the following groupings of work:
  - a) Fundamental Audits
  - b) Corporate Governance
  - c) Other Assurance
  - d) Service Specific.
6. Fundamental audits cover the key areas of finance in order to provide the S151 Officer with assurance. The areas covered are set out in the Fundamental Audit section of Appendix A. The areas which come under the remit of the Head of Finance will be audited and reported to the Group Auditor who will provide the level of independent assurance to the S151 Officer (Corporate Director Resources). This separation will apply against any audits where the Head of Finance has a direct responsibility for the function being reviewed.
7. The Corporate Governance section looks to provide assurance on the arrangements for risk management, governance, ethics & values, performance management, information governance, and programme & projects.

8. Other assurance covers areas such as contract, computer and system development assurance work. Contained within this group is also value for money studies.
9. As in previous years, a large portion of audit days has been allocated to service specific audits. However, having considered the results of assurance mapping and the key risks to the Council, the plan proposes to allocate a significant number of days in the directorates to look at key themes across each directorate. This approach has been discussed with directors and has had their support. It should be noted that this will not exclude discreet service specific audits, such as Supporting People and Leasehold properties from being reviewed. Appendix A provides members of the Committee with details of the Audit Plan and, within service specific audits, the following five themes have been developed to be considered across all services:
  - (a) Commissioning and Procurement;
  - (b) Effective Decision Making;
  - (c) Governance;
  - (d) Payroll; and
  - (e) Income (Education and Lifelong Learning only).
10. The above themes reflect the areas that the risk assurance planning has identified as areas of attention due to the level of risk. By proposing the thematic approach, this will allow a greater focus on these areas resulting in increased sampling, thus providing a level of assurance across the Council. The proposal is that each directorate will be subject to an audit against each theme and a report will be completed with recommendations. As each Directorate is completed against a theme, a composite report on each of the above themes will be developed and a report submitted in order to provide a level of assurance at both directorate and council level.
11. Appendix B sets out in a little more detail the scope of the themed areas set out in the audit plan.
12. The plan does allow a small element of flexibility for unplanned work, and any such assignments will be reported to Audit Committee as part of the regular progress updates.
13. It can be seen from Appendix A that there is a reduction in the number of audit days between 2016/17 and 2017/18. However, it should be noted that this does not reflect a reduction in resources allocated to the internal audit function. As reported previously, the resource allocated to provide support and promotion of risk and governance assurance across the Council was previously included within the number of days for the audit section, but is now included within that of another section of the Council. Therefore, the reduction of chargeable days simply reflects this transfer of responsibilities.

### **Legal Implications**

14. There are no legal implications arising from this proposal.

### **Financial Implications**

15. There are no financial implications arising from this proposal.

### **Recommendations**

16. To approve the Internal Audit Plan 2017-18.

**IAN ALLWOOD  
HEAD OF FINANCE**

**Appendix A:** Draft Internal Audit Plan 2017-18

**Appendix B:** Detail on areas within the Plan

Fundamental Audits - S151 Assurance	Type of engagement	CIPFA classification	Assignment code	Original audit plan, 2016/17	Original audit plan	Assignment	Days
Creditor Payments & Processing (including procurement)	Assurance	Chargeable	Various	45	75	CRSA 2017/18	10
						In-year testing 2016/17 and 2017/18	65
Payroll	Assurance	Chargeable	Various	70	70	CRSA 2017/18	10
						In-year testing 2016/17 and 2017/18	60
Council Tax	Assurance	Chargeable	FUN038	15	15	CRSA 2017/18	5
						In-year testing 2016/17	10
NNDR	Assurance	Chargeable	FUN049	15	15	CRSA 2017/18	5
						In-year testing 2016/17	10
Local Housing Allowances	Assurance	Chargeable	FUN063	15	15	Local Housing Allowances	15
Treasury Management	Assurance	Chargeable	FUN080	10	10	CRSA 2017/18	4
						In-year testing 2017/18	6
Main Accounting	Assurance	Chargeable	FUN069	10	10	CRSA 2017/18	4
						In-year testing 2016/17	6
Income and Debtors	Assurance	Chargeable	FUN102	15	30	Income and Debtors	30
Asset Management	Assurance	Chargeable	FUN073	10	30	Asset Management	30
Housing Rents	Assurance	Chargeable	FUN120	15	10	Housing Rents	10
<b>Total</b>				<b>220</b>	<b>280</b>		<b>280</b>
Corporate Governance Assurance - Audit (Tier 1)			Assignment code	Original audit plan, 2016/17	Original audit plan	Assignment	Days
Audit of risk management arrangements	Assurance	Chargeable	AGR004	20	20	Audit of risk management arrangements	20
Audit of governance arrangements	Assurance	Chargeable	AGR002	30	30	Audit of governance arrangements	30
Audit of ethics and values	Assurance	Chargeable	AGR009	15	15	Audit of ethics and values	15
Audit of performance management	Assurance	Chargeable	AGR010	15	15	Audit of performance management	15
Audit of Information governance	Assurance	Chargeable	AGR003	20	20	Audit of Information governance	20
<b>Total</b>				<b>100</b>	<b>100</b>		<b>100</b>
Programme and projects (including ODP)	Assurance	Chargeable	AGR013	60	20	Programme and projects (including ODP)	20
<b>Total</b>				<b>100</b>	<b>20</b>		<b>20</b>
Other Assurance (Tier 2)			Assignment code	Original audit plan, 2016/17	Original audit plan	Assignment	Days
Contract Audit	Assurance	Chargeable	Various	130	130	Revision of CSO&PR and training	15
						CRSA 2017/18	10
						In-year testing 2017/18, including contract variations	35
						Effective Decision Making	10
						Cradle to Grave reviews (2)	10
Education - SOP	Assurance	Chargeable	CON170	30	30	GLL and other partnership working	50
						Education - SOP	30
Computer Audit	Assurance	Chargeable	Various	100	100	Cybersecurity governance	30
						Inventory of information assets	20
						Standard security configurations	20
						Information Access Management	10
						Response and remediation	10
						On-going monitoring	10
Driving Improvement - Value for Money studies	TBC	Chargeable	Various	70	30	Vehicle usage	10
						Disciplinary process	5
						PP&DR process	5
						Sickness Absence procedures	5
						Discretionary grant payments	5
System Development	TBC	Chargeable	PRO001	50	30	System Development	30
Pensions and Investments	Assurance	Chargeable	FUN130	10	10	CRSA 2017/18	4
						In-year testing 2016/17	6
Insurance	Assurance	Chargeable	OTH001	10	10	CRSA 2017/18	4
						In-year testing 2016/17	6
Mileage & subsistence	Assurance	Chargeable	OTH002	15	10	Mileage & subsistence (including pool cars)	10
Stores	Assurance	Chargeable	OTH003	15	15	Stores	15
Business Continuity	Assurance	Chargeable	PRO003	15	15	Business Continuity	15
<b>Total</b>				<b>460</b>	<b>380</b>		<b>380</b>
Service specific audits (Tier 2)			Assignment code	Original audit plan, 2016/17	Original audit plan	Assignment	Days
City Operations	Assurance	Chargeable	Various	150	120	Commissioning and Procurement	120
						Governance	
						Payroll	
						Effective Decision Making	
Communities, Housing and Customer Services	Assurance	Chargeable	Various	120	120	Not yet allocated	120
						Commissioning and Procurement	
						Governance	
						Payroll	
						Effective Decision Making	
						Leasehold Properties	
						Supporting People contracts	
						Mini-tender Process	
Assessment of Return on Investment (new housing developments)							
Economic Development	Assurance	Chargeable	Various	70	110	Commissioning and Procurement	110
						Governance	
						Payroll	
						Effective Decision Making	
						Managing Lease Arrangements	
						Use of Internal and External Providers	
						Commercial Services	
Commissioning and Procurement							
Education and Lifelong Learning	Assurance	Chargeable	Various	280	330	Governance	330
						Payroll	
						Effective Decision Making	
						Income	
						Premises / stat observations in opted-out schools	
						Music Service	
						Catering in opted-out schools	
						New developments, including Eastern High	
						CRSA 2017/18	
						Work in individual schools	
						Commissioning and Procurement	
						Governance	
Governance and Legal Services	Assurance	Chargeable	Various	20	20	Payroll	20
						Effective Decision Making	
						Use of external legal advice	
						Commissioning and Procurement	
						Governance	
Resources	Assurance	Chargeable	Various	60	50	Payroll	50
						Effective Decision Making	
						Commissioning and Procurement	
						Governance	
Social Services	Assurance	Chargeable	Various	250	300	Payroll	300
						Effective Decision Making	
						ICT systems and associated procedures	
						Admin processes	
						Domiciliary Care	
						Payment processes	
						Commissioning and Procurement	
						Governance	
<b>Total</b>				<b>950</b>	<b>1,050</b>		<b>1,050</b>

External (Tier 2)			Assignment code	Original audit plan, 2016/17	Original audit plan		
External clients	Assurance	Chargeable	Various	10	10	Cardiff Further Education Trust Fund	1
						Joint committees	3
						Other external clients	14
Grants	Assurance	Chargeable	Various	20	20	Tresilian House	2
						IMLU	5
						Other grants	5
<b>Total</b>				<b>30</b>	<b>30</b>		<b>30</b>
Contingencies			Assignment code	Original audit plan, 2016/17	Original audit plan		
General Audit				220	82	General Audit	82
<b>Total</b>				<b>220</b>	<b>82</b>		<b>82</b>
Management (Tier 3)			Assignment code	Original audit plan, 2016/17	Original audit plan		
Support for Audit Committee / liaison with WAO			MGT010	50	40	Support for Audit Committee / liaison with WAO	40
Assurance mapping			MGT014	20	20	Assurance mapping	20
CRSA development			MGT015	20	10	CRSA development	10
Work requested by Audit Manager			MGT017	20	20	Work requested by Audit Manager	20
Audit Planning and monitoring			MGT016	20	20	Audit Planning and monitoring	20
Process Development			MGT018	20	20	Process Development	20
Review of Financial Rules etc			MGT008	70	30	Review of Financial Rules etc	30
Consultancy - advice and guidance			MGT001			Consultancy - advice and guidance	
<b>Total</b>				<b>220</b>	<b>160</b>		<b>160</b>

Audit Team Non Chargeable Leave/Sickness/Training			Assignment code	Original audit plan, 2016/17	Original audit plan		Days
Annual Leave			YYY001	380	371	Annual Leave	371
Public Holidays			YYY002	72	96	Public Holidays	96
Maternity - Paternity Leave			YYY003	195	70	Maternity - Paternity Leave	70
Unpaid Leave			Non-chargeable	0	0	Unpaid Leave	0
Strike			YYY005	0	0	Strike	0
Sickness			YYY006	96	54	Sickness	54
Medical Appointments			YYY007	0	0	Medical Appointments	0
Other Special Leave			Non-chargeable	0	0	Other Special Leave	0
Professional Studies			YYY016	55	55	Professional Studies	55
Courses and seminars			YYY017			Courses and seminars	
On the job training			YYY018	0	0	On the job training	0
<b>TOTAL AUDIT TEAM NON CHARGEABLE LEAVE/SICKNESS/TRAINING DAYS</b>				<b>798</b>	<b>646</b>		<b>646</b>

Audit Team Non Chargeable Other			Assignment code	Original audit plan, 2016/17	Original audit plan		Days
General Admin. (no identifiable client)			YYY009	90	84	General Admin. (no identifiable client)	84
General management			YYY010	15	7	General management	7
Staff Development			YYY013	32	23	Staff Development	23
Recruitment			YYY014	0	0	Recruitment	0
Internal Audit meetings (such as team meetings)			YYY015	40	38	Internal Audit meetings (such as team meetings)	38
<b>TOTAL AUDIT TEAM NON CHARGEABLE OTHER DAYS</b>				<b>177</b>	<b>152</b>		<b>152</b>

<b>TOTAL AUDIT TEAM CHARGEABLE DAYS</b>				<b>2,300</b>	<b>2,102</b>		<b>2,102</b>
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<b>TOTAL AUDIT TEAM NON CHARGEABLE DAYS</b>				<b>975</b>	<b>798</b>		<b>798</b>
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<b>TOTAL DAYS</b>				<b>3,275</b>	<b>2,900</b>		<b>2,900</b>
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Investigations			Assignment code	Original audit plan, 2016/17	Original audit plan		Days
General	Chargeable	Various	Various	420	417	NFI	20
						Police Liaison / Intelligence	5
						Policies, procedures and planning	24
						Training Delivery	30
						Working groups	3
						Advice and support	15
						Employee investigations	83
						Blue Badge	5
						Council Tax liability	150
						Council Tax reduction	20
						Disclaimers	1
						Tenant Fraud	31
Ad-hoc unplanned investigations	30						
<b>Total</b>				<b>420</b>	<b>417</b>		<b>417</b>

Investigations Non Chargeable Leave/Sickness/Training			Assignment code	Original audit plan, 2016/17	Original audit plan		Days
Annual Leave			YYY001	91	85	Annual Leave	85
Public Holidays			YYY002	22	23	Public Holidays	23
Sickness			YYY006	17	16	Sickness	20
Professional Studies			YYY016	4	5	Professional Studies	5
Courses and seminars			YYY017			Courses and seminars	
<b>TOTAL INVESTIGATIONS NON CHARGEABLE LEAVE/SICKNESS/TRAINING DAYS</b>				<b>134</b>	<b>129</b>		<b>133</b>

Investigations Non Chargeable Other			Assignment code	Original audit plan, 2016/17	Original audit plan		Days
General Admin.			YYY009	18	9	General Admin.	9
General management			YYY010	16	10	General management	9
Staff Development			YYY013	22	15	Staff Development	15
Recruitment			YYY014	0	0	Recruitment	0
Internal Audit meetings (such as team meetings)			YYY015	20	17	Internal Audit meetings (such as team meetings)	17
<b>TOTAL INVESTIGATIONS NON CHARGEABLE OTHER DAYS</b>				<b>76</b>	<b>51</b>		<b>50</b>

<b>TOTAL INVESTIGATIONS CHARGEABLE DAYS</b>				<b>420</b>	<b>417</b>		<b>417</b>
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<b>TOTAL INVESTIGATIONS NON CHARGEABLE DAYS</b>				<b>210</b>	<b>180</b>		<b>183</b>
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<b>TOTAL DAYS</b>				<b>630</b>	<b>597</b>		<b>600</b>
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**OUTLINE SCOPE OF SOME AUDITS WITHIN AUDIT PLAN 2017/18**

AUDIT AREA	OUTLINE SCOPE
Commissioning and Procurement	A review of the processes used in the Council for the commissioning and procurement of goods and services.
Effective Decision Making	Review of the process by which decisions (of all levels) are made in the Council, through the examination of alternatives, selection of choices and management of these choices to achieve business objectives.
Governance	<p>A review of areas of governance including:</p> <ul style="list-style-type: none"> <li>- Governance and strategic direction (for example, are operational plans in place and communicated to officers?);</li> <li>- Accountability (for example, is there a clear organisational structure and are accountabilities delegated and understood?);</li> <li>- Ethics and Values (do senior managers promote ethics and values?); and</li> <li>- Results and performance (are plans linked to the Council's objectives, have appropriate performance measures been linked to planned outcomes and do senior managers monitor performance against plans?).</li> </ul>
Payroll	Review the key controls related to HR and payroll within the Council, including use and development of the DigiGOV system.
Income (Education and Lifelong Learning)	Review the key controls related to income collection in schools, including development of charging and remissions policies, segregation of duties and VAT accounting.
Cradle to Grave contract audit	This is a review of a contract let by the Council from consideration of the outline business case to end of the contract, to include performance management. The review will focus on the key controls for all risks.
Cybersecurity Governance	<p>This will require an evaluation of the governance, risk management and control processes in place and will include:</p> <ul style="list-style-type: none"> <li>- Cybersecurity response plan</li> <li>- Cybersecurity risks and threats</li> <li>- Cybersecurity Risk Register</li> <li>- Officer roles, responsibilities and training.</li> </ul>
Inventory of information assets	<p>Review the inventory of all information assets, including the existence and adequacy of preventative and detective controls and monitoring arrangements.</p> <p>Information assets include:</p> <ul style="list-style-type: none"> <li>- Data</li> <li>- Infrastructure</li> <li>- Applications</li> <li>- External relationships</li> </ul>
Standard Security Configuration	Review security configuration management to establish if an accurate assessment of environments, based on risk, is achieved. Also, the processes in place to apply patches and updates.
Information Access Management	A review of account management, to include processes and procedures to grant, amend and remove access to systems, to include validating preventative control activities.
Response and Remediation	Review incident management and cybersecurity reporting arrangements. Assess vulnerabilities, analyse threat intelligence, and identify gaps.
On-going Monitoring	<p>Review monitoring strategy, including:</p> <ul style="list-style-type: none"> <li>- Access level evaluation</li> <li>- Vulnerability assessment</li> <li>- Penetration testing</li> <li>- Malware</li> <li>- Incident response</li> </ul>

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**AUDIT COMMITTEE TERMS OF REFERENCE**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 9.3**

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**Reason**

1. To recommend to Council the revised Audit Committee Terms of Reference.

**Background**

2. At its meeting on the 24<sup>th</sup> January 2017, the Head of Finance provided Audit Committee members with the draft Internal Audit Charter 2017-18 which also included a draft revised terms of reference of the audit committee.
3. At the January meeting, members were also asked to consider and provide comments on the direction of the revised draft Audit Committee's Terms of Reference and the draft 2017/18 Internal Audit Charter, both of which will be discussed under separate agenda items at this meeting.
4. A revision to the terms of reference for the Audit Committee requires a report to Council for approval.
5. A Self-Assessment workshop was facilitated in September and a subsequent action plan was tabled at the Audit Committee held on 29 November 2016. The workshop only partly agreed that the purpose of the committee was in accordance with CIPFA's Position Statement. One of the items for action was for the Audit Committee to review its terms of reference with a focus on value for money, governance, performance and risk management

**Issues**

6. The Terms of Reference submitted for recommendation is prescribed by CIPFA which is seen as best practice. In addition, one of the omissions in the current terms of reference is the need for the Audit Committee to approve the Internal Audit Charter which is a key requirement in order to conform to the PSIAS.
7. The Terms of Reference ensures that the Audit Committee has a responsibility to consider the council's arrangements to secure value for money and to monitor the development and operation of risk management in the Council.
8. The revised terms of reference will continue to be the document which clearly sets out the responsibilities of the Audit Committee and informs the business of the committee throughout the year.

**Legal Implications**

9. There are no legal implications arising from this proposal.

**Financial Implications**

10. There are no financial implications arising from this proposal.

**Recommendations**

11. To recommend to Council the revised terms of reference of the Audit Committee.

**CHRISTINE SALTER  
CORPORATE DIRECTOR RESOURCES**

**Appendix A:** Audit Committee Terms of Reference



**AUDIT COMMITTEE**  
**TERMS OF REFERENCE**

Governance, Risk & Control

- To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control.
- To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider the Council's framework of assurance and ensure that it adequately addresses the risk and priorities of the Council.
- To monitor the effective development and operation of risk management in the Council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To monitor the Counter-fraud strategy, actions and resources.

Internal Audit

- To approve the Internal Audit Charter.
- To approve the risk-based internal audit plan, containing internal audit's resource requirements, the approach to using other sources of assurances and any work required to place reliance upon those other sources.
- To approve significant changes to the risk-based internal audit plan, including audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk based internal audit plan and resource requirements.

- To make appropriate enquiries of both management and the audit manager to determine if there are any inappropriate scope or resource limitations.
- To consider reports from the Audit Manager on Internal Audit's performance during the year. These will include:
  - Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
  - Regular reports on the results of the Quality Assurance and Improvement Programme
  - Reports on instances where the internal audit function does not conform to the PSIAS and Local Government Application Note considering whether the non- conformance is significant enough that it must be included in the Annual Governance Statement.
- The opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control together with a summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the Audit Manager has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the Quality Assurance and Improvement Programme and in particular the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the Annual governance Statement, where required to do so by the Accounts and Audit Regulations.
- To support the development of effective communication with the audit manager.

#### External Audit

- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditors.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.

- To commission work from internal and external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspector agencies or relevant bodies.

#### Financial Reporting

- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- To seek assurances that the Council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks.

#### Accountability Arrangements

- To report to Council on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to Council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To raise the profile of probity generally within the Council and to report on matters of concern to the individual Cabinet Member, relevant Scrutiny Committee, Cabinet or to Council as necessary and appropriate.
- To work in synergy with the Scrutiny Committees of the Council and liaise with other Council Committees as and when appropriate to avoid duplication in work programmes.

#### Training & Development

- To attend relevant training session in accordance with the Member Development Programme including specialist training tailored for Members of the Audit Committee e.g. treasury management.

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**AUDIT COMMITTEE: 14<sup>th</sup> MARCH 2017**

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**INTERNAL AUDIT CHARTER 2017-18**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 9.4**

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**Reason**

1. To approve the Internal Audit Charter 2017/18 on an annual basis.

**Background**

2. At its meeting on the 24<sup>th</sup> January 2017, the Head of Finance provided Audit Committee members with the Draft Internal Audit Charter 2017-18, in order for Audit Committee to consider and feed in comments, to enable a final document to be approved at the 14<sup>th</sup> March meeting.
3. At the January meeting, members were also asked to consider and provide comments on the direction of the draft 2017/18 Internal Audit Plan, and a revised draft Audit Committee's Terms of Reference, both of which will be discussed under separate agenda items at this meeting.

**Issues**

4. The attached Internal Audit Charter has considered Committee members' comments raised at the last meeting. The two main amendments relate to paragraphs 8 and 15 respectively which have been revised as such:
  - The Audit Committee will approve the internal audit charter, the risk based internal audit plan and receive communications from the Audit Manager on the internal audit activity's performance relative to its plan and other matters. The Audit Manager is delegated the authority to make in-year changes to the internal audit plan and approve audit engagements.
  - Internal Audit is responsible for evaluating all processes of the entity including governance processes and risk management processes. It also assists the Audit Committee in evaluating and maintaining an appropriate degree of coordination between external and internal audit.
5. The first amendment emphasises the relationship between the Audit Manager and the Audit Committee in respect of the Audit Plan. The 2017/18 Internal Audit Plan is considered elsewhere on the agenda and the performance against the plan will be reported to Audit Committee on a regular basis including any proposed changes to it as the year progresses in order to ensure that the use of audit resources continues to remain appropriate and relevant.

6. The Internal Audit Charter is to be used as a clear statement of intent in terms of the authority and reach of internal audit. The Charter also clearly sets out the code and ethics by which the Internal Audit section conducts itself. The other accompanying appendices highlight the key strategic objectives of the Internal Audit section, audit resources, reporting lines and the approach taken against the Quality Assurance & Improvement Plan.

### **Legal Implications**

7. There are no legal implications arising from this proposal.

### **Financial Implications**

8. There are no financial implications arising from this proposal.

### **Recommendations**

9. To approve the Internal Audit Charter 2017-18.

**CHRISTINE SALTER  
CORPORATE DIRECTOR RESOURCES**

**Annex 1:** Internal Audit Charter 2017-18



# CORPORATE RESOURCES INTERNAL AUDIT SECTION

## City of Cardiff Council INTERNAL AUDIT CHARTER 2017-18

**Mission Statement**  
*To enhance and protect organisational value, through the provision of risk based and objective assurance and advice*

**Open**  
We are open and honest about the difficult choices we face, and allow people to have their say on what's important to them and their communities

**Fair**  
We champion fairness, recognising that with less resource we need to prioritise services for those who need them most

**Together**  
We work with our communities and partners across the city to deliver the best outcomes for the people of Cardiff



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# INTERNAL AUDIT CHARTER

## Definition, Objective and Scope of Internal Audit

1. Internal Audit is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the organisation of Cardiff Council
2. It assists Cardiff Council in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control and governance processes.

## Role and Professionalism

3. The internal audit activity is established by the Audit Committee. The internal audit activity's responsibilities are defined by the Audit Committee as part of their oversight role.
4. A professional, independent and objective Internal Audit service is one of the key elements of good governance in Local Government. Cardiff Council's Internal Audit Section seeks to be compliant with the Public Sector Internal Audit Standards which form a foundation for an effective Internal Audit service and encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). Through compliance with these standards, all members of the section adhere to the Code of Ethics stipulated within the Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.
5. The Code of Ethics is set out in further detail in Appendix A and works in alignment with the Council's code of professional conduct. The internal audit activity will adhere to Cardiff Council's relevant policies and procedures and the internal audit activity's protocol.

## Authority

6. The internal audit activity with strict accountability for confidentiality and safeguarding records and information, is authorised full, free and unrestricted access to any and all of the organisation's records, physical properties and personnel pertinent to carrying out an engagement. All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Audit Committee.

## **Organisation**

7. The Audit Manager will report functionally to the Audit Committee and administratively to the Section 151 Officer. The Audit Committee will approve all reports regarding the performance evaluation of the Internal Audit function.
8. The Audit Committee will approve the internal audit charter, the risk based internal audit plan and receive communications from the Audit Manager on the internal audit activity's performance relative to its plan and other matters. The Audit Manager is delegated the authority to make in-year changes to the internal audit plan and approve audit engagements.
9. The resources allocated to the Internal audit activity are outlined in Appendix B in conjunction with the reporting arrangements

## **Independence and Objectivity**

10. The internal audit activity will remain free from interference by any element in the organisation including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary, independent and objective mental attitude.
11. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair internal auditor's judgement.
12. Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.
13. The Audit Manager will confirm to the Audit Committee at least annually the organisational independence of the internal audit activity.

## **Responsibility**

14. The scope of internal auditing encompasses but is not limited to the examination and evaluation of the adequacy and effectiveness of the organisations governance risk management and internal control processes in relation to the organisations defined goals and objectives. Internal control objectives considered by internal audit include:
  - Consistency of operations or programmes with established objectives and goals and effective performance
  - Effectiveness and efficiency of operations and employment of resources

- Compliance with significant policies, plans, procedures, laws and regulations
- Reliability and integrity of management and financial information processes including the means to identify measure, classify and report such information
- Safeguarding of assets

15. Internal Audit is responsible for evaluating all processes of the entity including governance processes and risk management processes. It also assists the Audit Committee in maintaining an appropriate degree of coordination with internal audit.
16. Internal audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the Council. It may also evaluate specific operations at the request of Audit Committee or management as appropriate.
17. Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee and Senior Management including fraud risks, governance issues and other matters needed or requested
18. The Audit Committee has a Terms of Reference which defines the area in which it operates. The Terms of Reference are reviewed on a periodical basis.

### **Internal Audit Plan**

19. At least annually, the Audit Manager will submit to the Audit Committee an internal audit plan for review and approval including risk assessment criteria. The internal audit plan will include timing as well as budget and resource requirements for the next financial year. The Audit Manager will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.
20. The internal audit plan will be developed based on a prioritisation of all auditable areas using a risk based methodology including input of senior management and audit committee. Prior to submission to the Audit Committee for approval, the plan may be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.
21. The Audit Manager will develop an Audit Strategy which clearly articulates the key priorities of the function going forward and this is set out in Appendix C.

## **Reporting and Monitoring**

22. A written report will be prepared and issued by the Audit Manager following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will be communicated to the Audit Committee.
23. The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter by management of the audited area will include a timetable for anticipate completion of action to be taken and an explanation for any corrective action that will not be implemented.
24. The internal audit activity will be responsible for appropriate follow up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

## **Periodic Assessment**

25. The Audit Manager is responsible also for providing periodically a self-assessment on the internal audit activity as regards its consistency with the Audit Charter (purpose, authority and responsibility) and performance relative to its plan.
26. In addition, the Audit Manager will communicate to senior management and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

## **Quality Assurance and Improvement Programme - QAIP**

27. The internal audit activity will maintain a Quality assurance and Improvement Programme that covers all aspects of the internal audit activity. The programme will include an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit standards, encompassing all mandatory elements of the IPPF, including an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency of the internal audit activity and identifies opportunities for improvement.
28. The Audit Manager will communicate to senior management and Audit Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing internal and external assessments conducted at least every five years.
29. Action taken to ensure that the Quality Assurance and Improvement Programme is effective is set out in Appendix D.

## **CODE OF ETHICS**

### **Public Sector Requirement**

Internal Auditors in UK public sector organisations must conform to the Code of Ethics as set out below. If individual Internal Auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation. The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Internal Auditors' own professional bodies Code of Ethics or those of employing Organisations.

The purpose of The Institute's Code of Ethics is to promote an ethical culture in the profession of Internal Auditing. A code of ethics is necessary and appropriate for the profession of Internal Auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

The Institute's Code of Ethics extends beyond the definition of Internal Auditing to include two essential components:

- 1. Principles that are relevant to the profession and practice of Internal Auditing;

and

- 2. Rules of Conduct that describe behaviour norms expected of Internal Auditors.

These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of Internal Auditors.

The Code of Ethics provides guidance to Internal Auditors serving others. 'Internal Auditors' refers to Institute members and those who provide Internal Auditing services within the definition of Internal Auditing.

### **Applicability and Enforcement**

This Code of Ethics applies to both individuals and entities that provide Internal Auditing services. For Institute members, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Disciplinary Procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and therefore, the member liable to disciplinary action.

### **Public Sector Interpretation**

The 'Institute' here refers to the Institute of Internal Auditors. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics.

## **1. Integrity**

### *Principle*

The integrity of Internal Auditors establishes trust and thus provides the basis for reliance on their judgement.

### **Rules of Conduct**

Internal Auditors:

- 1.1 Shall perform their work with honesty, diligence and responsibility.
- 1.2 Shall observe the law and make disclosures expected by the law and the profession.
- 1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of Internal Auditing or to the organisation.
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

## **2. Objectivity**

### *Principle*

Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests, or by others, in forming judgements.

### **Rules of Conduct**

Internal Auditors:

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.
- 2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

### **3. Confidentiality**

#### *Principle*

Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

#### **Rules of Conduct**

Internal Auditors:

- 3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

### **4. Competency**

#### *Principle*

Internal Auditors apply the knowledge, skills and experience needed in the performance of Internal Auditing services.

#### **Rules of Conduct**

Internal Auditors:

- 4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.
- 4.2 Shall perform Internal Auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 4.3 Shall continually improve their proficiency, effectiveness and quality of their services.

**AUDIT ACTIVITY RESOURCES AND REPORTING LINES**

**Resources**

1. **Audit Manager** – 0.15 FTE - responsible for leading and managing the audit and investigation teams in delivering their roles, as set out within the Public Sector Internal Audit Standards (PSIAS), and other professional Codes of Practice. This role is performed by the Head of Finance (Deputy S151 Officer).
2. **Audit Team** – 11 FTE - who undertake system based audits, financial audits, provide advice and guidance to clients on a wide range of matters and undertake work around efficiency and value for money.
3. **Investigation Team** – 2.3 FTE - dedicated to the prevention, detection and investigation of suspected fraud or financial impropriety.
4. All audit staff are required to maintain the highest standards of professional practice, and comply with professional Code of Practices. Public Sector Internal Audit Standard is followed in all aspects of work undertaken.
5. For the purpose of the Public Sector Internal Audit Standard, the Audit Committee acts as the “Board” and the Corporate Director of Resources & Section 151 Officer is the Senior Manager overseeing the Internal Audit Function. The Audit Manager is the Chief Audit Executive.
6. Where the Head of Finance has operational responsibilities for activities, then the audit activity in this area conducted will be reviewed and authorised by a senior group auditor and assured by the Section 151 Officer.
7. All auditors and investigators are suitably qualified and collectively offer a wide range of skills, experience and knowledge. In the Audit team, there are a further 3 qualified Accountants, and most other auditors are qualified Accounting Technicians with 4 studying for the Certified Internal Audit qualification. The Investigation team is led by a Group Auditor who has the CIPFA Certificate in Investigative Practice and investigators are Professional trained investigators (PINS).
8. Ongoing development and training of auditors is fundamental to the delivery of an effective and professional Audit service. The Council’s Personal Performance and Development Scheme is fully adopted within Audit where all members of the team assess themselves against the skills required for their respective roles. This assists in the identification of team and individual development and training opportunities within a robust performance management framework.



**INTERNAL AUDIT STRATEGY****Internal Audit**

1. To deliver a high level, professional audit service, that conforms fully with the Public Sector Internal Audit Standards (PSIAS).
2. To prepare an Audit Plan, maximising available resources, targeting high risk audits and effectively monitoring priorities against the Plan, which will provide assurance to the Section 151 Officer and Audit Committee.
3. To maintain a strong audit profile through working closely with the Chief Executive, Audit Committee Chair and members, the Section 151 Officer and the Head of Finance, who champion the role of the Audit teams and the 'Relationship Manager' role, working closely with Directors to maintain our awareness of changes in the Authority's risk profile, and to sustain audit knowledge to ensure effective controls are maintained, at a time of strategic and operational change in directorates.
4. To be customer focussed and to be identified as a value added service and first point of contact when systems are being reviewed or internal control / process advice is sought.
5. To review processes in order to ensure that Internal Audit work effectively with Directorates to ensure that accountability and responsibility for implementing audit recommendations are done promptly and accurately.
6. To deliver an effective audit service through continual review of 'lean' working practices, with best use of new technology. This will include appropriate use of 'Control Risk Self Assessments' and provide a more focussed approach on follow up audits.
7. To ensure that we continually review the way we work and how we perform and continually to seek feedback on our performance.
8. To build on the consultative / training services delivered to directorates, in order to build further on the internal control culture of the Council.

**Investigations**

9. To deliver a professional investigation service, with a reduction in resources at a time when demand for our expertise is increasing. In doing so, to remain compliant with appropriate Codes of Practice and professional standards.

10. To provide training, mentoring and education to directorates, trade unions and employees in order to reduce the likelihood of fraud being committed, to promote the work of Internal Audit and the Investigation team and to encourage referrals when there is a suspicion of Fraud, Bribery, Corruption or financial irregularity. This is to be key in delivering the new Disciplinary Policy mandatory training requirements.
11. To contribute to the review of policies and procedures in order to ensure the consistent approach to investigations and sanctions.
12. To deliver an effective investigation service through continual review of lean working practices, with best use made of new technology.

### **All Teams**

13. To promote talent management and staff development as key elements of the success of the business and by continued support of the Council's personal development scheme. To support opportunities for staff to train and develop so that they remain competent, efficient and effective in undertaking the tasks expected of them. Through training, look to address any lack of skills in specific areas e.g. ICT audit.
14. To encourage, mentor and support those recently enrolled to study CIA and ICT specific qualifications to achieve a rich balance of highly qualified team members across the Section.
15. With the pace and degree of change and the fundamental role finance plays in all aspects of Council business the team will need to continue to support the Corporate Director of Resources & Section 151 Officer, Head of Finance and Audit Committee with their roles in terms of audit and investigation matters.

**QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

1. Every audit assignment has to undergo a Quality assurance review.
2. At the conclusion of each audit, a Post Audit assessment form is completed by both the auditor and the reviewer.
3. A quality assurance questionnaire is issued to the client at the end of each audit.
4. Each Directorate has a relationship manager with regular meetings to discuss outcomes of audits, audit plan and feedback.
5. Annual personal performance development reviews which include assessment against skills and competency framework.
6. Periodic self-assessments.
7. Engage in benchmarking exercises in order to assess our performance against other comparable organisations and report on significant variances and develop and implement action plan where appropriate.
8. Commitment to undergoing an external inspection on conformance to PSIAS every five years.
9. Adherence to relevant Codes of Practice and Standards.
10. Compliance with Professional Accountancy / Audit and the Council's Codes of Conduct.
11. Annual report and quarterly reporting to the Section 151 Officer and to Audit Committee.
12. Regular contact with external scrutiny functions such as Wales Audit Office.

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**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD****AUDIT COMMITTEE: 14 March 2017**

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**SCRUTINY CORRESPONDENCE****REPORT OF CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 10.1**

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**Reason for this Report**

1. This report has been prepared in order to show how Scrutiny Correspondence is used to inform the work of Internal audit and Audit Committee going forward.

**Background**

2. Audit Committee received a report on 24 January 2017 which outlined the work being performed by the five scrutiny committees through a review of correspondence from the scrutiny chairs. The purpose of the report was to consider and determine whether any items contained in the correspondence merited to be considered further by the Audit Committee. In addition, any correspondence between the Chair of Audit Committee and Scrutiny Chairs would be captured.
3. Amidst concerns of the purpose of the item and the risk of duplication, the Audit Committee at the January meeting resolved that the Deputy Chairperson in consultation with the Corporate Director and the Head of Finance, agree a refreshed format for the Scrutiny Correspondence to be presented at this Committee meeting. The Audit Committee's Terms of Reference includes the need to work in synergy with the five Scrutiny Committees and to avoid duplication in work programmes. The meeting was held between the Deputy Chairperson and the Head of Finance in consultation with the Corporate Director.
4. Audit Committee receives a regular item on the progress of Internal Audit which sets out performance against the audit plan and outlines any changes in the plan. One of the reasons for deviating from the original plan is that business matters will arise at any time of the year which will allow internal audit to react appropriately to those changes.

**Issues**

5. Reviewing scrutiny minutes and correspondence, as well as Cabinet and Council, is good practice. This is already undertaken by the Internal Audit function in order to inform future planning assumptions and allocation of audit resources. Thus, it can be seen that scrutiny correspondence is already being considered and reviewed by internal audit carrying out their business.

6. The Internal audit progress update is a regular standing item on the Audit Committee Agenda. The update includes detailing the performance against the audit plan and highlighting any deviations from the plan having looked forward and reviewing the current council environment. The internal audit progress update could explicitly explain how the work of internal audit develops over the year through scanning the business matters of the Council, including but not restricted to, Scrutiny.
7. It is therefore proposed that Audit Committee request that the Head of Finance ensures that the audit progress update includes a section highlighting any relevant items arising from scrutiny and how they will be captured in future audit work.
8. In the event of any correspondence between the Chair of Audit Committee and Scrutiny Chairs, these will be presented as a standing agenda item.

### **Reason for Recommendations**

9. To consider the method of reviewing scrutiny correspondence and matters in order to inform Audit Committee meetings.

### **Legal Implications**

10. There are no financial implications arising from this report.

### **Financial Implications**

11. There are no legal implications arising from this report.

### **Recommendations**

12. To approve that the Internal Audit Progress update captures the work done in reviewing scrutiny correspondence, and that it is reported in that standing item going forward.
13. To approve the need for a standing item on Scrutiny Correspondence between Chair of Audit Committee and Scrutiny Chairs.

**CHRISTINE SALTER  
CORPORATE DIRECTOR RESOURCES**

Topic	Monday 27.06.16 at 10.30am (CR4)	Wednesday 19.09.16 (Workshop 12.30-1.30pm) at 2pm (CR4)	Tuesday 29.11.16 at 2pm (CR4)	Tuesday 24.01.17 at 2pm (CR4)	Tuesday 14.03.17 at 1.30pm (CR1)	Tuesday 20.06.17 at 2pm (CR4)
Wales Audit Office	Corporate Assessment Update	Corporate Assessment Update				
	Annual Improvement Report (Deferred to Sept)	Annual Improvement Report				Annual Improvement Report (deferred to Sept)
	Regulatory Programme Letter/ Update Performance Audit Work & Fees 2016-17	Audit of Financial Statement Report for City of Cardiff Council (ISA260)				Regulatory Prog. Update & Fee information '17-18
		Audit of Financial Statement Report - Cardiff & Vale of Glamorgan Pension Fund (ISA260)			Cardiff & Vale Pension Fund Audit Plan (deferred to June)	Cardiff & Vale Pension Fund Audit Plan (deferred from March)
					Fee Benchmarking Data Update	Fee Benchmarking Data
					Annual Financial Audit Outline (deferred to June)	Annual Financial Audit Outline (deferred from March)
	Report Progress Updates	Report Progress Updates	Report Progress Updates	Report Progress Updates	WAO Activity Update	Report Progress Updates
Treasury Management	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report
		Annual Report	Half Year Report		Treasury Mgmt Practices	Treasury Benchmarking
				Draft Strategy '17-18		
Finance	Financial Update including Resilience Issues	Financial Update including Resilience Issues	Financial Update including Resilience Issues	Financial Update including Resilience Issues	Financial Update including Resilience Issues	Financial Update including Resilience Issues
	Draft Statement of Accounts for '15-16 (including the AGS)	Draft Statement of Accounts for '15-16 (including the AGS)				Draft Statement of Accounts '15-16 (including the AGS)
		[Cardiff & Vale of Glamorgan Pension Fund Statement of Accounts 2015/16 (contained in SOA)]				
		Welsh Pool Pension Fund Governance Aspects				
	WAO Tracker/Other Studies	WAO Tracker/Other Studies	WAO Tracker/Other Studies	WAO Tracker/Other Studies	WAO Tracker/Other Studies	WAO Tracker/Other Studies
Internal Audit		Progress update (to include Benchmarking & Comparative Data Matching)	Half Yearly Progress Report	Progress Update	Progress Update	Progress Update
	Internal Audit Annual Report '15-16	Progress Update (Highways Audit Feedback)		Draft Audit Charter '17-18	Audit Charter '17-18	Internal Audit Annual Report '16-17
		VFM Exercise – Supply Teachers				
Governance and Risk Management	Audit Committee Annual Rep. '15-16			Audit Committee Annual Report Discussion	Audit Committee Draft Annual Rep. '16-17	Audit Committee Annual Rep. '16-17
	Senior Management Assurance Statement Review – Feedback		Senior Management Assurance Statement Review			Senior Management Assurance Statement Review – Feedback – Final Position
				AGS '16-17 Action Plan (Mid-Year)	Draft Annual Governance Statement	
	Corporate Risk Register (Year-End)	Risk Management Update	Corporate Risk Register (Mid-Year) [to include Corporate Risk Map]		Risk Management Interim Update [to include Corporate Risk Map]	Corporate Risk Register (Year-End) [to include Corporate Risk Map]
			Self-Assessment Feedback Action Plan	Audit /Scrutiny Protocol		

Topic	Monday 27.06.16 at 10.30am (CR4)	Wednesday 19.09.16 (Workshop 12.30-1.30pm) at 2pm (CR4)	Tuesday 29.11.16 at 2pm (CR4)	Tuesday 24.01.17 at 2pm (CR4)	Tuesday 14.03.17 at 1.30pm (CR1)	Tuesday 20.06.17 at 2pm (CR4)
Operational matters / Key risks	Director of Education – Annual Report on Governance (including Balances) & Deficits in Schools (Deferred to Sept.)	Director of Education - Annual Report on Governance (including Balances) & Deficits in Schools	Director Social Services (Financial Position)	Links between the ODP and Medium Term Financial Plan		Director City Operations Update on Highway Payroll Review
		Director City Operations – Response to Internal Audit Report (Highways Payroll Follow up Review		Building Maintenance Framework		



## Audit Committee Action Plan

(Updated following meeting held on 24 January 2017)

Minute No. /Agenda No.	Actions	Timeline	Action Owner
<b>Finance (Budget)</b>			
MN5 22.03.16	<b>Accounting Policies Update</b> A report be presented to the Committee later in the year providing an update on progress on the task of valuing the infrastructure asset.	14.03.17	C Salter/ A Hirani
29.11.16	<b>Financial Resilience</b> The Committee agreed to continue to receive regular updates on financial resilience.	On-going	C Salter
29.11.16	<b>Social Services Financial Position</b> In terms of the Integrated Service/Financial Strategy, members requested that the finalised proposals be presented to the Audit Committee once approved by Cabinet. The Corporate Director gave an undertaking to facilitate this.	20.06.17	C Salter/ I Allwood
<b>Governance &amp; Risk Management</b>			
24.01.17	The Corporate Risk Register would be presented as an agenda item at the next meeting of the Committee.	14.03.17	I Allwood
<b>Wales Audit Office (WAO)</b>			
MN10 22.03.16	Fee Benchmarking Data Update	14.03.17	Janet McNicholas
24.01.17	The Chair asked if members were in approval of a letter being sent to Janet McNicholas, thanking her for her contribution to the work of the committee, upon her retirement at the end of February. Sent 06.03.17.	Completed	Deputy Chair
<b>WAO Tracker/Other Studies</b>			
24.01.17	<b>WAO Tracker</b> A-MH to provide Committee with a briefing note on the status of the work undertaken by WAO in Cardiff.	14.03.17	Ann-Marie Harkin
<b>Internal Audit</b>			
29.11.16	<b>Value For Money</b> (1) The Head of Finance present a report providing a breakdown of justifiable agency spend across service areas with a clarification of the £16m agency spend to a future meeting.  (2) The Head of Finance present a position statement report on staff terms and conditions and a comparison with terms and conditions in other authorities.	14.03.17  14.03.17	I Allwood  I Allwood
24.01.17	<b>Progress Update</b> IA agreed to provide members with further details of the audit into Youth Centre inventories.	14.03.07	I Allwood
24.01.17	IA to provide a level of detail which would highlight the links between the Internal Audit Progress Report and the Draft Audit Plan 2017/18 for discussion at the March 2017 meeting.	14.03.17	I Allwood

Minute No. /Agenda No.	Actions	Timeline	Action Owner
24.01.17	<b>Internal Audit Charter 2017-18</b> Amendments be made to the Draft Audit Charter.  The Committee receive the Audit Charter 2017/18 at the meeting on 14 March 2017 to recommend it to Council.	14.03.17	I Allwood
24.01.17	<b>Audit Committee TOR</b> GP to clarify the procedure for changing the TOR of Audit Committee – <i>a report to Council is required.</i>	14.03.17	G Porter
24.01.17	<b>Audit Committee Annual Report 2016-17</b> (1) Members of the Committee consider and contribute to the draft Audit Committee Annual Report 2016/17 discussion;  (2) The draft Annual Report be presented to the next meeting	14.03.17	Members/I Allwood
<b>Treasury Management</b>			
24.01.17	Officers agreed to provide a comparison of maturity analysis profiles with other local authorities, at the June 2017 meeting	20.06.17	C Salter/ A Hirani
24.01.17	A Hirani to reflect on the merits of a trigger points approach to balancing investments with treasury management advisors and will report considerations back to committee in June.	20.06.17	A Hirani
<b>Published Scrutiny Letters</b>			
24.01.17	The Chairperson, in consultation with the Corporate Director and the Head of Finance, agree a refreshed format for the Scrutiny Correspondence report to be presented to the Committee on 14 March 2017.	14.03.17	C Salter/I Allwood Chair
<b>Operational Items</b>			
29.11.16	<b>Social Services Financial Position</b> The Chairperson to write on behalf of the Committee to the Chief Executive and the Section 151 Officer outlining the Committee's comments.		Chair
<b>Outstanding Actions</b>			
AN10.2 22.06.15	<b><u>Director Strategic Planning &amp; Highways – Response to Internal Audit Report</u></b> That the Committee receives a further progress report in six months.	Completed	Audit
19.09.16	A further report providing evidence that the Committee's earlier recommendations have been addressed be presented to a future meeting.	20.06.17	A Gregory