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Caerdydd  
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## AGENDA

Pwyllgor	PWYLLGOR ARCHWILIO
Dyddiad ac amser y cyfarfod	DYDD MAWRTH, 30 IONAWR 2018, 2.00 PM
Lleoliad	YSTAFELL BWYLLGORA 4 - NEUADD Y SIR
Aelodaeth	Aelodau Annibynnol: Ian Arundale (Cadeirydd) Hugh Thomas, Gavin McArthur a/ac David Price  Cynghorywr Bale, Cowan, Cunnah, Howells, Lay, McGarry, Dianne Rees a/ac Singh

*Tua  
Amser.*

### 1 Ymddiheuriadau am Absenoldeb

Derbyn ymddiheuriadau am absenoldeb.

### 2 Datgan Buddiannau

Dylid gwneud hyn ar ddechrau'r eitem agenda dan sylw, yn unol â'r Cod Ymddygiad Aelodau.

### 3 Cofnodion (*Tudalennau 1 - 8*)

Cymeradwyo cofnodion y cyfarfod a gynhaliwyd ar 28 Tachwedd 2017 fel gwir gofnod.

### 4 Materion Gweithredol (*Tudalennau 9 - 30*)

2.05 pm

**Nid yw Atodiadau C a D o'r adroddiad i'w cyhoeddi gan eu bod yn cynnwys gwybodaeth eithriedig o'r disgrifiad ym mharagraffau 14 a 21 o Atodlen 12A o Ddeddf Llywodraeth Leol 1972**

4.1 Tony Young, Cyfarwyddwr y Gwasanaethau Cymdeithasol – Newyddion ar yr Amgylchedd Rheoli Mewnol

### 5 Cyllid (*Tudalennau 31 - 36*)

2.25 pm

5.1 Newyddion Ariannol yn cynnwys Materion Gwydnwch

5.2 Rheolau Gweithdrefn Ariannol Newydd

Gorchmynion Sefydlog Contractau Newydd a Rheolau Caffael

- 6 Archwiliad Mewnol** (*Tudalennau 37 - 144*)
- 6.1 Safonau Archwilio Mewnol y Sector Cyhoeddus  
2.45pm
  - 6.2 Adroddiad Pennaeth Cyllid – Tîm Archwilio Mewnol  
2.50pm
  - 6.3 Adroddiad Pennaeth Cyllid – Tîm Archwilio  
3.00pm
  - 6.4 Siarter Archwilio Mewnol Drafft 2018-19  
3.10pm  
a'r Cynllun Archwilio Drafft 2018/19
- 7 Llywodraethiant a Rheoli Risg** (*Tudalennau 145 - 210*)
- 7.1 Adolygiad o'r Datganiad Sicrwydd yr Uwch Reolwyr  
3.20pm
  - 7.2 Cynllun Gweithredu AGS 2016-17 (Canol-Blwyddyn  
3.30pm
  - 7.3 Cod Drafft Llywodraethiant Corfforaethol  
3.40pm
  - 7.4 Polisi Rheoli Risg Drafft 3.50pm
- 8 Swyddfa Archwilio Cymru** (*Tudalennau 211 - 216*) 4.00 pm
- 8.1 Diweddariad ar Weithgareddau/Adroddiad Cynnydd Swyddfa  
Archwilio Cymru
- 9 Teclyn Olrhain Swyddfa Archwilio Cymru ac Astudiaethau Eraill** 4.10 pm
- 10 Rheoli'r Trysorlys** (*Tudalennau 217 - 260*)
- Nid yw Atodiad 1 o'r adroddiad i'w gyhoeddi gan ei fod yn cynnwys gwybodaeth eithriedig o'r disgrifiad ym mharagraffau 14 a 21 o Atodlen 12A o Ddeddf Llywodraeth Leol 1972**
- 10.1 Adroddiad ar Berfformiad  
4.15pm
  - 10.2 Strategaeth Ddrafft 2018-19  
4.25pm
- 11 Gohebiaeth Graffu** 4.35 pm
- 12 Camau sydd eto i'w Cyflawni**
- 13 Diweddariad ar y Rhaglen Waith** (*Tudalennau 261 - 264*) 4.40 pm
- 14 Materion Brys**

**15 Dyddiad y cyfarfod nesaf**

y Cynhelir y cyfarfod nesaf ar 27 Mawrth 2018

**Davina Fiore**

**Cyfarwyddwr Governance a Gwasanaethau Cyfreithiol**

Dyddiad: Dydd Mercher, 24 Ionawr 2018

Cyswllt: Graham Porter,

029 2087 3401, [g.porter@cardiff.gov.uk](mailto:g.porter@cardiff.gov.uk)

Mae'r dudalen hon yn wag yn fwriadol

## AUDIT COMMITTEE

28 NOVEMBER 2017

Present: D. Hugh Thomas (Chairperson)  
Gavin McArthur and David Price

County Councillors Bale, Cowan, Cunnah, Howells, Lay,  
McGarry, Dianne Rees and Singh

## 42 : APOLOGIES FOR ABSENCE

Apologies were received from Ian Arundale.

## 43 : DECLARATIONS OF INTEREST

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

Councillor Howells	Item 10.1	School Governor
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## 44 : MINUTES

The minutes of the meeting held on 18 September 2017 were approved as a correct record, subject to the addition of the Independent Members to the list of those present.

Matters Arising

A Member reported that following the meeting on 18 September 2017, he met with colleagues to discuss risk management processes. Positive assurance received that risk appetite was being used to focus attention on important issues. The Risk Management Strategy was currently under development which will be reported to a future Committee meeting as per the Work Programme.

## 45 : OPERATIONAL MATTERS

At its meeting in September 2017, the Committee requested an update on governance and control in City Operations. The report was also to provide assurance on the implementation of the recommendations made by Internal Audit in the report on Highways Street Operations in 2014.

The Chairperson welcomed Andrew Gregory, Director of City Operations; Gary Brown, Operational Manager – Assets, Engineering and Operations; and Matt Wakelam, Head of Infrastructure and Operations. The officers were asked to deliver a presentation setting out information and the key challenges and priorities facing the directorate. The directorate has three risks on the Council's Corporate Risk Register and the presentation also outlined way in which these, and Directorate Risks, are managed.

Members had also asked for an update on the management of the issues raised in the audit report on 'Highway Street Operations' undertaken in 2014, involving a

review of processes and procedures into the teams responsible for reactive highway works. The main risks were concerned with the arrangements for monitoring operatives in order to provide assurance of hours worked, locations attended and the use of vehicles. The recommendations were appended to the report for information.

A number of subsequent audit reviews have identified improvements in control and the mitigation of risk.

The Chairperson invited Members of the Committee to comment, ask questions or seek clarification on the information received. Those discussions are summarised as follows:

- The Director confirmed that the net operating budget figures presented to the Committee did not include the ‘one-off’ contributions reallocated to the service area from underspends in the financial resilience mechanism.
- Members considered that the School transport budget allocation of £6,058,000 was substantial. Officers stated that the budget included the costs of home to school taxis, Welsh/Faith school transport support and transport for those in mainstream education who live more than 3 miles from their catchment area school. The budget is assessed every year and evidence suggests that it is becoming more difficult to make additional savings. A more detailed assessment is planned during 2018/19.
- Members asked whether the £366,000 allocated to Planning/Building Control was adequate to support the Local Development Plan. The Director stated that the Planning Department has income streams and the £366,000 figure does not reflect current staffing levels. The service is adequately resourced and has a sizeable income, which supports revenue.
- Members asked about how the transport infrastructure asset backlog was being addressed and the need to allocate enough funding to maintain a steady state, Officers advised that the additional funding have been used to provide new treatments with a longer lifespan. Members considered the threat posed by the backlog to the authority’s assets.
- Officers confirmed that Civil Parking Enforcement (CPE) is self-funded and income from parking enforcement is held in a separate account. The service achieves a balanced position at year-end as any surplus income is reinvested or used to support Traffic Regulation Orders and disabled parking, etc.
- In terms of the authority’s partnership with GLL, Members asked how the partnership would proceed if the authority’s aspirations do not fit or are not being carried forward by GLL. Members were advised that there is an agreement in place, which is monitored through the Council’s contract monitoring team supplemented by regular board meetings. To date GLL have consistently acted within the terms of the agreement. Members noted that management and internal audit controls are in place in order to provide assurance.

The Chairperson thanked the officers for attending and wished them success in meeting the challenges facing the service.

RESOLVED – That the Committee notes the content of the report and the presentation.

Finance

46 : FINANCE UPDATE - 2018/19 BUDGET AND MONTH 6 2017/18 BUDGET MONITORING

The Committee received a report providing an update on the Council's financial position.

Month 6 2017/18 Budget Monitoring Position

Members were advised that the month 6x revenue monitoring projects a balanced position against the budget, an improvement of £883,000 compared to the position reported at month 4. The improvement reflects management actions introduced to control expenditure in the current year together with in-year targeted savings identified by directorates and a further increase in NDR refunds on Council properties.

The overall position reflects a range of pressures including shortfalls against budget savings targets in directorate budgets and overspends in relation to capital financing costs. These are offset by projected savings in some other directorate budgets, insurance budgets, the release of contingency budgets, a surplus on Council Tax collection and NDR refunds on Council properties.

Directorate budgets are currently overspent by £4.956 million with overspends projected in Social Services, Economic Development and Education and Lifelong Learning. These are partly offset by projected underspends in other directorates and by the £3.0 million general contingency budget. Members noted that the 2017/18 budget reduced the general contingency budget by £1 million.

The report provided further details of the overspends within Directorates and the actions being taken to address these issues.

2018/19 Budget

Following the approval of the Budget Strategy by the Cabinet in July 2017, directorates reviewed and updated savings proposals as part of establishing a balanced budget position for approval by Council in February 2018. The Budget Strategy report indicated a potential funding gap of £23.5 million in 2018/19 and £73.5 million over the period to 2020/21.

Directorate savings were expected to amount to £52 million over three years with the balance accounted for through other assumptions, including increases in Council Tax.

The Budget Strategy assumed a 1% funding reduction for Cardiff in 2018/19 in light of the general warning from Welsh Government that local authorities should expect challenging financial settlements. The provisional funding for 2018/19 was announced on 10 October 2017. Cardiff received a 0.2% increase, which equates to £954,000 in cash terms for 2018/19. Members noted that the transfer of additional responsibilities would account for approximately £800,000 of the cash increase. The final settlement is expected during the week commencing 18 December 2017.

In the medium term the provisional settlement announced an indicative average AEF reduction of 1.5% for 2019/20, with the caveat this reduction is based on the UK government proceeding with £3.5 billion of planned cuts for 2019/20 that are as yet unallocated.

The Chairperson invited comments and questions from the Committee. Those discussions are summarised as follows:

- Members asked officers to comment on Pembrokeshire Councils proposed 12% increase in Council tax. Officers reminded Members that the current budget strategy for Cardiff was a 3.7% increase in Council Tax.
- A Member stated that the provisional settlement was better than anticipated. In view of the issues around infrastructure discussed during the previous item, Officers were asked whether they had considered the best way to use the improved financial position. Officers stated that indications were that the 2019 settlement would be worse than anticipated by 0.5%. The officers understand the asset management issues referred to previously and the Cabinet has agreed to concentrate on asset management in the capital programme currently being drafted.
- Members noted an overspend in Economic Development (Waste management). Officers confirmed that the shortfall related not only to demographic pressures, but were also due to a fall in the income received from recyclables.

RESOLVED – That the Committee notes the financial information provided and the process being adopted in respect of budget preparation for 2018/19 and the medium term.

#### 47 : FINANCIAL RESILIENCE SNAPSHOT

The Committee received a report providing information and benchmarking data on the Council's financial resilience. The report included a financial resilience 'snapshot' at Month 6 in 2017/18; financial ratios derived from the statement of accounts on an all-Wales basis as calculated by the Welsh Government; and the Earmarked Reserves protocol for the Council including reserves balances at 31 March 2017.

Members asked what arrangements are in place in terms of the audit of the funds contributed by the authority to the City Deal. The Corporate Director advised that the Regional City Deal Joint Board is developing its scrutiny function. An external audit regime is developing and Internal Audit will continue.

Members noted that the level of earmarked reserved had increased in 2016/17. Officers were asked whether there was an expectation the level of earmarked reserve would be reduced in future years. The Corporate Director stated that earmarked reserves are published twice yearly and it was clear that earmarked reserves should have a purpose. If earmarked reserves are unused, then they should be reallocated to general council reserves.



Officers confirmed that the effect of the United Kingdom leaving the European Union is highlighted as a risk on the risk register. However, more clarity was needed to allow the impact of 'Brexit' on the authority to be assessed.

RESOLVED – That:

- (1) Audit Committee notes the financial resilience snapshot at Month 6
- (2) Notes the data produced and published by Welsh Government on Financial Indicators for 2013/14, 2014/15 and 2015/16;
- (3) Notes the Earmarked Reserves Protocol.

#### 48 : CORPORATE RISK REGISTER (MID YEAR)

The Committee received an update on the risk management position at quarter 2 2017/18. Each Director has worked with the Risk Champion(s) to undertake their quarter 2 risk management review. The Risk Management Review process has two tiers, Corporate and Directorate, and the actions for each at quarter 2 were set out in the report.

The Committee would have an opportunity to comment on the draft Corporate Risk Management Policy and Strategy at the meeting in January 2018. Members were asked to note that 15 of 369 Directorate risks were carried forward to SMT as escalated risks at quarter 2. SMT collectively reviewed each escalated risk and the potential impact on the organisation and its corporate objectives. From this review, the escalated risk on Air Quality was added to the Corporate Risk Register.

The SMT review of existing corporate risks resulted in one 'red' risk (City Security) being extended in scope and reductions in residual risk scores in two further 'red' risks (Social Services Provision and Information Governance).

Members were advised that the Senior Management Review involved a wider strategic focus and discussion on risk appetite and risk tolerance to inform the extent and urgency of risk-based actions and targets. The discussion was underpinned by the Corporate Risk Management Policy and Strategy (CRMPS), which is currently under review. The new CRMPS will deliver a framework through which decision-makers are made aware of their responsibilities and are supported in delivering organisational change of the medium and long term. The CRMPS will include a risk appetite designed to enable the delivery of effective innovation and change, through stewardship and governance arrangements.

Concern was raised in respect to retention of e-mails. Officers stated that e-mail retention was about storing information correctly as much as it was about disposal. This approach is a direct response to address the Information Governance risk highlighted in the CRR. The Member expressed concern that the authority was increasingly reliant on corporate memory.

Members noted that the Health and Safety and Non Compliance of Statutory Building Equipment Maintenance risks was the responsibility of the Cabinet Member Finance, Modernisation and Performance. The Member asked whether gaps remained in the authority's compliance and, if unmet, the authority would bear legal responsibility.

Officers also confirmed that risk assessment is to manage risks towards an acceptable level.

RESOLVED – That the Audit Committee noted the contents of the Corporate Risk Register.

#### 49 : WALES AUDIT OFFICE PROGRESS REPORT

At the commencement of this item, Matthew Coe stated that he would shortly be seconded to South Wales Police. He thanked the Committee and the officers present for the spirit of partnership they had adopted over the last 12 months. Matthew Coe introduced Phil Pugh, would be assuming the role of Audit Manager.

The Committee received the Wales Audit Office progress report. Members were invited to raised questions or comment on the content of the report.

Members asked whether WAO were comfortable with the level of resource available to the Internal Audit function within the authority. Matthew Coe stated that it was not appropriate for WAO to comment, as these were considerations for the Head of Finance. The Head of Finance stated that monthly meetings are held with WAO and discussions have been held regarding smarter ways of workings, to include Internal Audit, as WAO face many of the same challenges the authority does.

RESOLVED – That the report be noted.

#### 50 : TREASURY MANAGEMENT - 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 October 2017.

RESOLVED – That the report be noted.

Internal Audit

#### 51 : REPORT OF HEAD OF FINANCE - INTERNAL AUDIT TEAM

*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 following declarations of interest were declared in accordance with the Members' Code of Conduct:*

*Councillor Howells*

*School Governor*

The Committee received a report providing an update on the work undertaken by the Audit Team as at 27 October 2017. Members were advised that the Internal Audit Progress report was set out at Appendix A. The appendix provided further detail of the performance of the team with particular reference to the Audit Plan, the key challenges, remedial actions and information provided to the Audit Committee to provide assurance that the appropriate controls are covered. Members were asked to note the key points in the report.

Referring to paragraph 12 in the report and the proposal to offer one FTE as a saving, Members asked whether consideration had been given to use the saving to provide apprenticeships or new technology. Officers stated that new approaches to working or technology will be considered as they arise. It was also noted that there were four auditors were currently being supported through their Institute of Internal Audit training. Benchmarking exercises have indicated that Cardiff has proportionally more auditors. A Member commented on the limitations of benchmarking information and that care needed to be taken in making that judgement

Members discussed the budget consultation exercise currently taking place. Members requested that the Chair respond to the consultation exercise on behalf of the Committee to note their concern at proposed reductions to staffing resource in Internal Audit.

RESOLVED – That:

- (1) The report be noted;
- (2) The Chairperson responds to the budget consultation exercise on behalf of the Committee.

## 52 : REPORT OF HEAD OF FINANCE - INVESTIGATION TEAM

The Committee received a report providing an update on the work of the Audit Section's Investigation Team as at 27 October 2017.

The Committee noted the report. During the discussion of this item a Member stated that it was important people know that these issues are being investigated so that they are encouraged to change their behaviour.

Member also queried what was meant by the phrase 'fraud by abuse of position' as contained in the report. The Head of Finance agreed to provide further details on this case to the Committee via email.

RESOLVED – That the report be noted.

## 53 : WORK PROGRAMME AND ACTION PLAN UPDATE

Members received an update on the Committee's Work Programme. Members were advised that the annual self-assessment workshop would take place prior to the Committee meeting on 30 January 2018. Members were informed that CIPFA were issuing updated guidance in December and that the workshop will look to use that as a focal point of the workshop. However, if publication delays do occur then this will be reviewed. The officer agreed to issue information well in advance of the Workshop. A Member asked whether consideration has been given to external training and development for Members. The Head of Finance advised that he and the Chair had been contacted with a view to a National Group of Audit Committee Chairs, which would be facilitated by the Welsh Chief Auditors Group. This would focus on the exchange of good practice and training. The Head of Finance indicated that he hoped to report on developments in the New Year.

RESOLVED – That the Work Programme update and Action Plan be noted.

54 : URGENT BUSINESS

No urgent business was reported.

55 : DATE OF NEXT MEETING : 30 JANUARY 2017

The next meeting is scheduled to take place on 30 January 2017.

The meeting terminated at 4.30pm

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



**AUDIT COMMITTEE: 30 January 2018**

## **SOCIAL SERVICES UPDATE ON INTERNAL CONTROL ENVIRONMENT**

**REPORT OF DIRECTOR SOCIAL SERVICES**

**AGENDA ITEM: 4.1**

**Appendices C and D of the report are not for publication as they contain exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972**

### **Reason for this Report**

1. At its meeting on 28<sup>th</sup> November 2017, the Audit Committee requested that it receive an update on governance and control in Social Services. This update is also to provide assurance on the implementation of the recommendations made by Internal Audit.

### **Background**

2. Cardiff Council's Social Services Directorate has responsibility for a wide and complex range of statutory duties, functions and services that affect the lives of virtually every part of the community at some point, usually at a point of significant individual vulnerability. The nature of social services is pre-eminently concerned with managing risk at the level of strategy, operational delivery, and the quality of services and of individual professional practice. To support this challenging agenda, the Directorate currently engages 930 FTE employees (515 in Adult Services and 415 in Children's Services) and commissions a very wide range of third party services with large employee cohorts. Whilst at any one time the Directorate supports over 10,000 individuals plus their wider families, an illustration of the reach and spread of activity entailed in delivering social services is indicated by the following volumes:

- **8,102** enquiries to Adult Services
- **837** Protection of Vulnerable Adult referrals
- **7,289** adults assessed or reviewed
- **7,719** adults in receipt of services at 31<sup>st</sup> March 2017, of which:
  - **1,022** were receiving residential and nursing care
  - **3,505** were living at home with social care packages
  - **3,192** were receiving other services.
- **29,389** contacts / referrals to Children's Services
- **721** children being looked after at 31<sup>st</sup> March 2017 (**802** at 31<sup>st</sup> December 2017)
- **191** children on Child Protection Register at 31<sup>st</sup> March 2017.

Cardiff Council's Social Services Directorate is also responsible for the largest single controllable spend (£153,486) across the council (after delegated schools budgets), and breakdowns for Adult and Children's Services for 2017/18 are summarised in **Appendix A**. It is significant that 72% of the budget is spent on commissioned services.

## **Issues**

### 3. Management and Mitigation of the Directorate's Risks

The Directorate has developed a clear structure and process for managing and monitoring its responsibilities, commitments and risks. This is managed and embodied in four integrated 'instruments' as follows:

- **Directorate Delivery Plan.** Progress is monitored on a quarterly basis and the updates are used to feed into a review of both Corporate and Directorate Risk Registers – also quarterly. Consideration is given to how the progress made by the Directorate during the quarter against each of its priorities and related actions further mitigates risks, and risk ratings are reviewed accordingly.
- **Risk Registers** are considered and signed off at each appropriate management team so that all relevant senior managers are aware and can contribute.
- **Quarterly Performance and Annual Delivery Plan Review** – the Director holds a one day quarterly performance review with the Extended Management Team (see Figure 1) which includes the Director, Assistant Directors, all Operational Managers and a number of senior managers with discrete strategic roles (approximately 18 managers). The focus of this quarterly event is on reviewing progress against the Annual Delivery Plan, ongoing analysis and review in relation to the Annual Report of the Director of Social Services, horizon scanning and ongoing strategic development. Consideration of risk management and a wide range of risks, including corporate risks, is integral to this cycle.
- **The Annual Report of the Director of Social Services** – the production of this report is supported by a process outlined in statutory guidance known as the 'Annual Council Reporting Framework for Social Services' (ACRF). The Directorate has developed an annual cycle to enable the ACRF (please see example timeframe attached at **Appendix B**) and this stimulates a process of detailed self-assessment, analysis and challenge between November and June in any given year, and involving internal and external stakeholders (e.g. service users, staff, third sector organisations, regulators). The report gives an overview of progress during the year, outcomes achieved for citizens and identifies challenges and priorities going forward. Plans are in place to further strengthen challenge for the review of 2017/18 performance and outturn via Citizen Panels.

### **Current Corporate Risks**

Three Social Services risks are captured on the Corporate Risk Register:

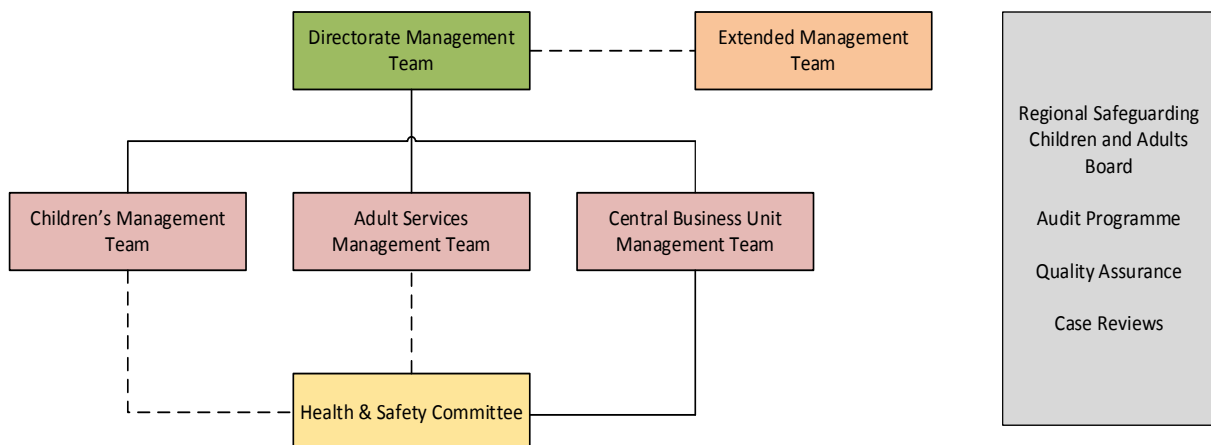
- *Safeguarding* (joint responsibility with Davina Fiore) – the systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners. This has an inherent risk of HIGH PRIORITY (B 1), and is mitigated to MEDIUM PRIORITY (C 1). The proposed management action

refers to training staff in Adult Protection Orders and having a draft annual plan for the Regional Adults / Childrens Safeguarding Board. It should be borne in mind that safeguarding is a multi-agency responsibility by definition and in statute, and that the effectiveness of the Council and the Directorate in this respect is dependent on strong partnership around shared risk with the other statutory safeguarding partners (Police, Probation and Health). Cardiff is able to exercise leadership of this critical agenda via the Director of Social Services as the joint chair of both the Adults and Children’s Safeguarding Boards; Cardiff also hosts the Regional Safeguarding Boards’ Business Unit.

- *Social Services – provision* – failure to provide robust and adequate social services in the context of increasing costs and limited resources. This has an inherent risk of HIGH PRIORITY (B 1), and is mitigated to MEDIUM PRIORITY (C 1). A major thrust of the Directorate’s Annual Delivery Plan focuses on improving the quality of services on a continuous basis and on a lynch-pin commitment to re-balancing resources, energy and effort, in favour of prevention and supporting a greater number of people in the homes and families. This re-balancing in favour of more effective prevention is critical to good population outcomes and the long-term financial stability of robust social services and it is embedded throughout the Delivery Plan.
- *Promoting independence* – 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. This has an inherent risk of HIGH PRIORITY (B 1), and is mitigated to MEDIUM PRIORITY (C 1). There are a number of proposed management actions, including strategic reviews of reablement and of commissioning. The Directorate continues to make good progress in this direction and it is noteworthy that overall demand for care and support within Adult Social Services has reduced in the face of significant growth in the over 65 population; performance in relation to delayed transfers of care has improved significantly from 98 in April to November 2016-17 to 70 for the same period this year; a 29% reduction in delays for social care reasons (aged 18+).

Details of the position at the 2017/18 Quarter 2 review were reported to the meeting of the Audit Committee on 28.11.2017. The Quarter 3 review is underway and will be finalised in SMT in mid to late February 2018.

**Figure 1: Directorate Underpinning Business and Risk Management Structure**



#### 4. Senior Management Assurance Statement

The Assistant Directors of Adult and Children’s Services each complete a Senior Management Assurance Statement and the Directorate Management Team consider both and agree an overall position for Social Services.

Issues considered in the Senior Management Assurance Statement are primarily found to have Strong Application or be Embedded across Social Services. Savings / income target delivery is rated as Mixed Application because, whilst savings have achieved by the Directorate, savings targets have not been fully met. Work in the Directorate to identify and achieve cost avoidance and savings is continuous and ongoing. Future generations considerations is rated as Mixed Application because work to project and meet future demand has commenced, but is not embedded.

The overview of assurances is attached at **Appendix C** to this note.

#### 5. Monitoring / implementing recommendations made in Internal Audit reports

Audit	Status	Assurance rating	Number of recommendations	Number implemented
Children with Disabilities	Final report issued	Effective with opportunity for improvement	3	1
Homecare (Mobile Scheduling)	Final report issued	Insufficient with major improvement needed	15	7
Payments to Care Leavers	Final report issued	Limited	11	4
Payroll	Final report issued	Effective with opportunity for improvement	6	0
Payment processes	Draft report issued			

The recommendations made for final reports issued are reported to every meeting of the Audit Committee on the **recommendation tracker** that is attached to the Internal Audit progress report. Managers are contacted before every Audit Committee meeting for an update on the implementation of recommendations, and the recommendations remain on the tracker until managers confirm that they have been fully implemented, at which point they are marked as closed.

The recommendations that will be included on the recommendation tracker for the January meeting of the Audit Committee are attached at **Appendix D** to this report.

#### AUDIT PLANNING AND LIAISON

The draft audit plan is presented to Audit Committee in January of each year to allow members to review the broad themes and time allocations.

Once the draft plan has been agreed, the Relationship Manager will meet with the Director and management team to discuss the corporate themes and the number of audit days that will be allocated to each of those themes in the Directorate. Also discussed at these meetings are any areas of concern that the Director would like Internal Audit to



review and the number of audit days that will be allocated to these assurance or consultation pieces.

This is then presented back to Audit Committee in March for final agreement by members. During the year, there are regular, quarterly meetings with the Relationship Manager to discuss progress against the agreed plan and to discuss any emerging risks that might need to be reviewed during the year. Any audits that cannot be undertaken at that time (such as due to on-going system changes) will also be discussed at these meetings. If any changes are made to the agreed audit plan, these are reported to the next meeting of the Audit Committee for the members to agree.

Auditors also meet with managers at each audit for initial scoping of the audits and at the end of the audit prior to the draft report being issued to discuss the main findings. Managers will also contact Internal Audit for advice and guidance on any matters of internal control and auditors have been involved with system and process development.

### **Recommendations**

6. To note the contents of the report and consider any comments or questions.

**NAME Tony Young**

**DESIGNATION Director of Social Services**

**Date 23<sup>rd</sup> January 2018**

*The following Appendices are attached:*

Appendix A – Budget 2017-18

Appendix B – ACRF Timeline 2016-17

Appendix C – SMAS 2017-18 Mid Year

Appendix D – Recommendations Tracker

Mae'r dudalen hon yn wag yn fwriadol

**Cardiff Council  
Social Services**

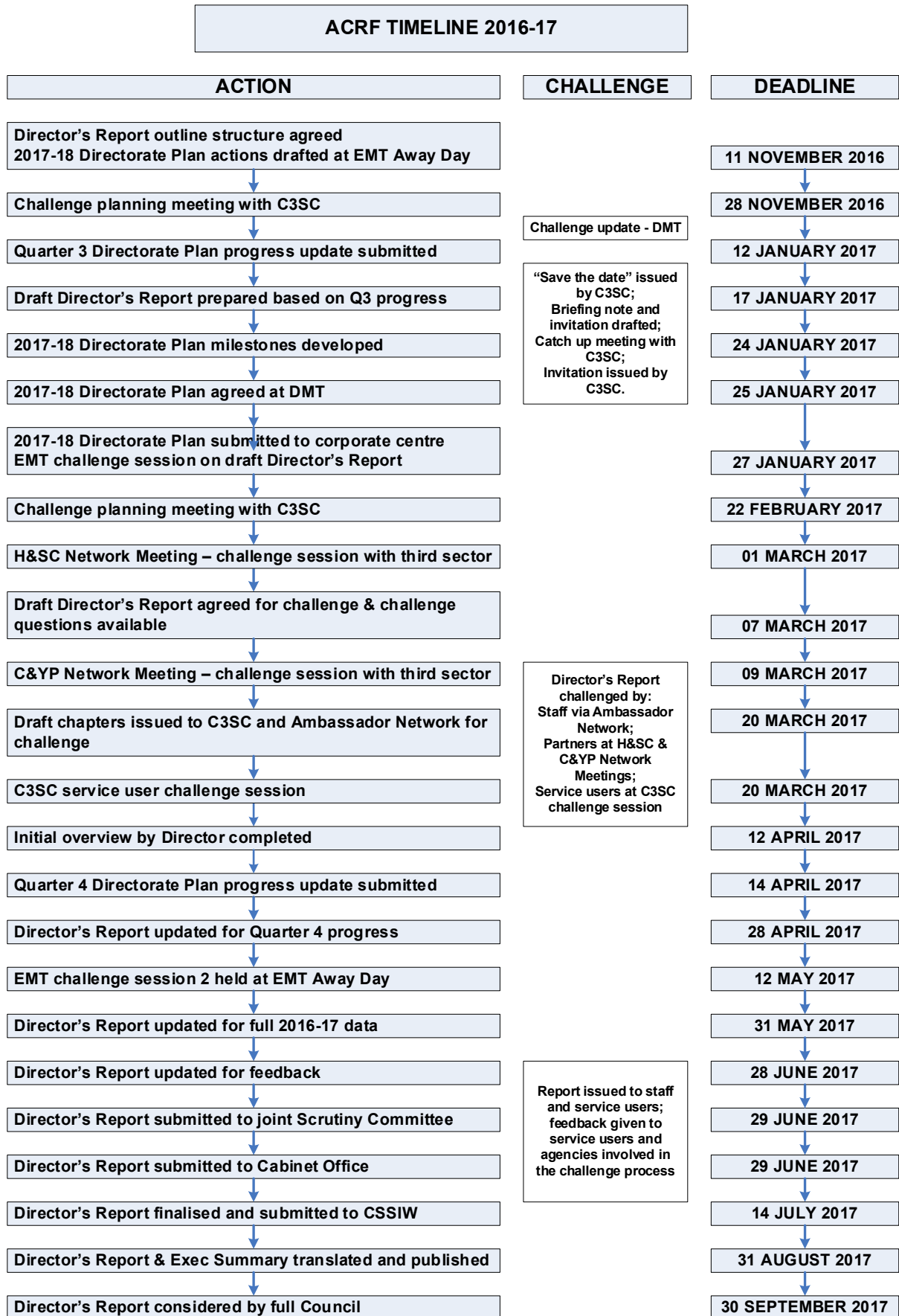
**Audit Committee Report - Appendix A**

<b>Service</b>	<b>Budget 2017/18 £000</b>
Adult Services	104,779
Children's Services	48,707
<b>Total Social Services</b>	<b>153,486</b>

<b>Divisional Analysis - Adult Services</b>	<b>Budget 2017/18 £000</b>
<b>Commissioned Services</b>	
Older People	39,176
Learning Disabilities	29,192
Mental Health	5,738
Phys. Disabilities / CAD	8,690
<b>Internal Services</b>	
Assessment / Care Mgt	9,195
LD Supp. Liv / Day Care	4,586
OP Day Care/Reablement	4,897
Support / Perf / Manmgt.	3,304
<b>Total</b>	<b>104,779</b>

<b>Divisional Analysis – Children's Services</b>	<b>Budget 2017/18 £000</b>
<b>Targeted Services</b>	
CIN / Protection / Intake / Mash	8,780
Guardianship Order Allowances	2,450
Family Intervention / Early Help / Prevention	1,543
<b>Specialist Services</b>	
LAC Teams / Support for Care Leavers / PAS	6,905
In House Fostering / Adoption	4,391
<b>External fostering and residential placements</b>	<b>18,797</b>
<b>Safeguarding / CSE</b>	<b>1,315</b>
<b>Support / IT / Training / Management</b>	<b>3,848</b>
<b>Youth Offending Service</b>	<b>678</b>
<b>Families First Grant (gross £5.092m)</b>	<b>0</b>
<b>Total Children's Services</b>	<b>48,707</b>

Mae'r dudalen hon yn wag yn fwriadol



Mae'r dudalen hon yn wag yn fwriadol

Yn rhinwedd paragraff (au) 14, 21 Rhan (nau) 4 a 5 o Atodlen 12A  
o Ddeddf Llywodraeth Leol 1972.

Document is Restricted

Mae'r dudalen hon yn wag yn fwriadol



Yn rhinwedd paragraff (au) 14, 21 Rhan (nau) 4 a 5 o Atodlen 12A  
o Ddeddf Llywodraeth Leol 1972.

Document is Restricted

Mae'r dudalen hon yn wag yn fwriadol

**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD****AUDIT COMMITTEE: 30 January 2018**

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**FINANCIAL UPDATE 2017/18****REPORT OF THE CORPORATE DIRECTOR RESOURCES**

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**AGENDA ITEM:****Reason for this Report**

1. To provide the Audit Committee with an update on the Council's financial position.

**Background**

2. 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 2017/18 and gives an update on the preparatory work for 2018/19 and the medium term.

**Issues****Financial Monitoring**

3. The Cabinet considered the Month Six Monitoring Report on 16 November 2017 and a summary of this was presented to the Audit Committee at its meeting on 28 November 2017. The next full Council monitoring report will be based on the position at month nine and this is due to be presented to Cabinet on 15 February 2018. For information, a summary of the month six monitoring position is set out below. The month six monitoring reported a balanced position and the key issues identified at month six are not expected to change significantly. Work is currently progressing on the month nine monitoring position and this will be reported to the Committee at its meeting on 27 March 2018, albeit a link to the report will be sent to Audit Committee members once it is published.
4. Overall, the month six revenue monitoring for the Council showed a balanced position against budget, an improvement of £883,000 compared to the position reported at month four. The improvement reflected management actions introduced to control expenditure in the current year together with in-year targeted savings identified by directorates. There was also a further increase in NDR refunds on Council properties.
5. The overall position continued to reflect a range of demographic, service and other financial pressures including shortfalls against budget savings targets in directorate budgets and a projected overspend in relation to capital financing costs. Projected savings in directorate budgets as a result of management actions offset these, together with a saving on Insurance budgets, the release of

contingency budgets, an anticipated surplus on Council Tax collection and NDR refunds on Council properties. Directorate budgets were projected to be overspent by £4.956 million with projected overspends in the Social Services, Economic Development and Education & Lifelong Learning Directorates. These were partly offset by projected underspends in other directorates and by the £3.0 million general contingency budget which was provided as part of the 2017/18 budget in order to reflect the quantum, risk and planning status of the proposed savings for 2017/18. It should be noted that the 2017/18 Budget reduced the previous general contingency budget by £1 million.

## **Budget Preparation**

6. The November 2017 Budget Consultation Report identified a budget reduction requirement of £22.8 million for 2018/19. The report set out the 2018/19 budget proposals for consultation, which included savings of £14.3 million. The consultation ran between 2 November 2017 and 14 December 2017 and took a number of forms including electronic and paper copy questionnaires alongside face-to-face engagement. The results of the consultation have been analysed for Cabinet to consider in preparing their draft budget proposal. A summary of the consultation results will be included in the 2018/19 Budget Report.
7. The Welsh Government's (WG's) Final Local Government Settlement was announced on the 20 December 2017. It set out a cash increase in Aggregate External Finance (AEF) of 0.9% for Cardiff, which was the highest published increase in Wales. It compared to a Welsh average increase of 0.2% and a maximum decrease of 0.5%. The three authorities in receipt of a 0.5% decrease received top up funding to limit their reduction to 0.5%.
8. Cardiff's published increase of 0.9% equates to additional cash of £3.898 million compared to the current year and is a £3.080 million cash improvement on provisional settlement. However, after taking account of two new responsibilities included within the overall funding envelope, and other differentiating year on year factors, the true additional cash position compared to 2017/18, is eroded to £2.426 million (+0.55%). Further clarity is still required in relation to some specific grant information, notably in relation to Education Improvement Grant. The Council and WG are reviewing in order to understand the impact for Cardiff of WG's proposed changes to this grant.
9. The 2018/19 budget reduction requirement is undergoing review to reflect updates that have occurred since November. These include the implications of the final settlement, the updated Council Tax Base approved by Cabinet in December 2017 and the Employer's pay offer of December 2017. Cabinet are currently reviewing their budget proposal to take account of these updates as well as considering the results of consultation. The final draft proposal will be presented at the Cabinet meeting on 15 February 2018, for subsequent consideration and approval by Council.

### **Reason for Recommendations**

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

### **Legal Implications**

11. No direct legal implications arise from this report.

### **Financial Implications**

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

### **Recommendations**

13. To note the financial information provided and the process being adopted in respect of budget preparation for 2018/19 and the medium term.

**CHRISTINE SALTER  
CORPORATE DIRECTOR RESOURCES  
January 2018**

Mae'r dudalen hon yn wag yn fwriadol

AUDIT COMMITTEE: 30 JANUARY 2018

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## COUNCIL PROCEDURE RULES

### REPORT OF CORPORATE DIRECTOR, RESOURCES

AGENDA ITEM: 5.2

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#### Reason for this Report

1. This report has been prepared to provide Audit Committee members with information on the update of the Council's Financial Procedure Rules and Contract Standing Orders & Procurement Rules which is currently on-going.

#### Background

1. As Members will be aware, the Council is required to maintain a Constitution, which sets out how it operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to the citizens of Cardiff. It is a key document in the overall governance of the Council.
2. The Constitution contains five parts, one of which relates to "Rules of Procedure". Contained within these Rules are the *Financial Procedure Rules* and *Contract Standing Orders & Procurement Rules*. The Rules are subject to periodic review to ensure that they remain relevant and fit for purpose, but both have not been reviewed in their entirety for a number of years.
3. The documents are in the process of being reviewed and updated, to be agreed at the Council's Constitution Committee in due course in accordance with the terms of reference of that committee before being presented to a meeting of the full Council.
4. This report will provide an update on the review process and provide background information to the oral presentation.

#### Procedure Rules

1. Both the Financial Procedure Rules and Contract Standing Orders & Procurement Rules were last subject to a full review over five years ago, although minor changes to the documents have been made in the intervening years. It is important that both documents are fit for purpose and reflect current statutory and best practice requirements; therefore, work has been undertaken by officers within Resources and Governance & Legal Services directorates to update the provisions within the two documents.

#### *Contract Standing Orders and Procurement Rules*

2. The Contract Standing Orders & Procurement Rules (CSO&PR) document is being reviewed by officers from Resources (Procurement and Internal Audit) and Governance & Legal Services. The changes that have been proposed reflect amendments to EU regulations, Welsh Government

guidance and model rules that were issued by the Welsh Local Government Association (WLGA). The key changes include:

- (a) The development of electronic tendering, with more self service by client service areas;
  - (b) Community Benefits; and
  - (c) Changes to the advertising and tendering thresholds.
3. There will also be enhancements to the document to support the delivery of contracts, including improvements to the supporting guidance and further training sessions (both in a classroom environment and on-line). There have been a number of consultation events with officers from different directorates and the feedback from these sessions has been used to guide and shape the changes to the CSO&PR.
4. Work is being undertaken alongside the changes to the CSO&PR to review and update many of the standard forms that are available and to develop a comprehensive procurement handbook. Standard contract terms and conditions are also available on the Council's intranet site.

#### *Financial Procedure Rules*

5. The Financial Procedure Rules (FPR) document is being reviewed and revised by officers within Internal Audit, and consultation is on-going with other officers within Internal Audit and the Resources directorate more widely. It had been identified that the FPRs, as currently extant, are very wordy and can be difficult to understand; in addition, the document does not reflect recent changes to the way in which the Council works to deliver services to its citizens, particularly via partnerships and third parties.
6. The FPRs have, therefore, been redrafted to more clearly identify the key risks and controls for the financial control environment of the Council; each section will be underpinned by improved guidance notes, and further training sessions (both in a classroom environment and on-line) will be available.
7. The presentation to this meeting by officers from Commissioning & Procurement and Internal Audit will outline the main changes to the documents. Both documents will then be circulated to members of the Committee for comment, with any comments returned by 12<sup>th</sup> February to allow for them to be considered before the documents are presented to the March meeting of the Council's Constitution Committee.

#### **Recommendations**

To note the contents of this report and the presentation and to consider any comments or questions.

**NAME: CHRISTINE SALTER**  
**DESIGNATION: CORPORATE DIRECTOR, RESOURCES**  
**DATE: 30 JANUARY 2018**



**AUDIT COMMITTEE: 30 January 2018**

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**PUBLIC SECTOR INTERNAL AUDIT STANDARDS****REPORT OF THE HEAD OF FINANCE****AGENDA ITEM: 6.1**

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**Reason for this Report**

1. The Public Sector Internal Audit Standards (PSIAS) require (in Standard 1312) that “external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.”
2. The assessment of Cardiff Council’s Internal Audit Section has been carried out by the Chief Audit Executive of a neighbouring council and this report has been prepared to provide Audit Committee Members with an update on the assessment of the audit team.

**Background**

3. The Audit Committee was advised, at the meeting on 30<sup>th</sup> November 2015, that it had been proposed by the Welsh Chief Auditors Group that the Welsh authorities establish a peer group to undertake the PSIAS assessments. The vast majority of authorities supported this approach and agreed to seek approval from their Managers within their authorities. This approach is consistent with a peer group established for Core Cities across the UK. This approach, based around a robust self-assessment and an external evaluation, fully meets the requirements of the Standard and has significant cost savings.
4. The Welsh authorities that used this approach shared a common terms of reference and were grouped to avoid any potential conflicts of interest. Cardiff Council was placed in a group with Rhondda Cynon Taf CBC (RCT) (where the Chief Audit Executive undertook the review of Cardiff Council) and Swansea Council (where the Chief Audit Executive of Cardiff Council undertook the review of Swansea Council).
5. Members are aware that it was agreed with the Chief Audit Executive of RCT that the review of Cardiff Council could be delayed until Q3, 2017/18 to allow the embedding of the changes to processes and assurance definitions that were put in place from April 2017.
6. The review of Swansea Council is currently on-going and the outcomes will be reported to the Audit Committee of that Council in due course.

## **Issues**

7. The Chief Audit Executive for RCT has met with various officers from the Internal Audit Section and reviewed the supporting information provided to him (which included the annual self-assessment action plan, Audit Charter and process documents) in undertaking his review. The assessment considered that the narrative produced as part of the self-assessment was comprehensive, with references to documentary evidence to support the assessment. The self-assessment had already identified areas where improvements could be made, but the Chief Audit Executive for RCT agreed that these are not considered to be significant deviations from the PSIAS.
8. The assessment did identify a small number of points to be considered further with the aim of clarifying arrangements already in place. The recommendations he proposes to make relate to enhancing the information in the Charter and he has submitted them for consideration before he presents the report to Members at the Audit Committee meeting in March 2018.

## **Legal Implications**

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

## **Financial Implications**

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

## **RECOMMENDATIONS**

11. That the Committee notes the contents of the report.

**IAN ALLWOOD**  
**HEAD OF FINANCE**  
30 January 2018

**AUDIT COMMITTEE: 30 January 2018**

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**INTERNAL AUDIT PROGRESS REPORT, 2017-18**

**REPORT OF THE HEAD OF FINANCE**

**AGENDA ITEM: 6.2**

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**Appendix C 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. Audit Committee's Terms of Reference requires that Members consider reports from the Audit Manager on Internal Audit's performance during the year.
2. This report has been prepared to provide Audit Committee Members with an update on the work of the audit team as at 31<sup>st</sup> December 2017, for the current financial year.

**Background**

3. An Audit Plan is prepared each year in order to provide a measure of the work performed by Internal Audit function. It is important that the plan allows for flexibility so that professional judgement can be applied to enable work to be prioritised over the life of the Plan, in order to maximise the use of audit resources and add most value to the organisation in targeting changing risks.
4. The Head of Finance prepares progress reports for each meeting of the Audit Committee, outlining the work undertaken by the audit team.
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. The progress report is discussed with the Corporate Director Resources to provide a meaningful update on the work of the team and to give the opportunity to discuss changing priorities. The Progress Update is then presented to Audit Committee.

**Issues**

7. The Internal Audit Progress Report, set out at Appendix A, provides further detail of the performance of the audit team and with particular reference to the Audit Plan. The progress update outlines the challenges facing the audit team, the remedial action already taking place and the information provided to Audit Committee in order to provide it with the assurance that appropriate internal controls are covered. The progress update provides the key points in the following paragraphs.

8. The recent recruitment exercise for a Principal Auditor was successful and the vacancy was filled from 18<sup>th</sup> December 2017. The recruitment exercise has also allowed the team to recruit a temporary auditor (for a period of six months from 1<sup>st</sup> February 2018), and the agency contract for the temporary Auditor has been cancelled from 31<sup>st</sup> January 2018; the contract for the Auditor covering maternity was extended until 31<sup>st</sup> December 2017.
9. The progress report shows that, to date, 34% of the audit plan has been completed, with a further 53% to be completed by the end of the financial year. Many of the audits not yet completed are substantially complete, with the findings being discussed with managers before the draft reports are issued.
10. Appendix C sets out in detail the audit recommendations issued in this year and the progress to date in implementing them. Progress to date shows that 44% of the recommendations agreed have been implemented. This information has been provided by regular updates from directorates. Where directorates have not provided any information by the deadlines given, then these will be reported as part of the audit progress update. Whilst it is pleasing to note that all recommendations have been commented upon, there will be continued emphasis on the need for audit recommendations to be completed within the agreed timescales.
11. The output from the performance indicators from the CIPFA Internal Audit benchmarking group and the results from the Welsh Chief Auditor Group have been reported to previous meetings of this Committee. It had been anticipated that information from the Core Cities group would have been received by the end of December 2017 and, therefore, be reported to this meeting; however, no results have yet been received.
12. Work has begun on the proposed audit plan for 2018/19, and a draft plan has been reported to this meeting as agenda item 10.4.

### **Legal Implications**

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

### **Financial Implications**

14. The actions taken in terms of resource as set out in paragraph 6 can be contained within the overall budget for Internal Audit.

### **RECOMMENDATIONS**

15. That the Committee notes the contents of the report and the proposed change to the audit plan for 2017/18 to address the shortfall in audit days.

**IAN ALLWOOD**  
**HEAD OF FINANCE**  
 30 January 2018

The following is attached: **Appendix A:** Internal Audit Progress Report, 2017-18

**Appendix B:** Revised Internal Audit Plan

**Appendix C:** Schedule of Audit Recommendations:

- Open Audits
- Schools' Open Audits
- Closed Audits
- ~~Open~~ Closed Audits



## RESOURCES DIRECTORATE INTERNAL AUDIT TEAM

# Internal Audit Progress Report (As at 31<sup>st</sup> December 2017)

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Prepared by: Ian Allwood, Head of Finance

# INTERNAL AUDIT PROGRESS REPORT

## 1. INTRODUCTION

### 1.1 Background

The Audit Committee at its meeting in March 2017 approved the Internal Audit plan for 2017/18. The plan is the framework for audit work in the forthcoming year and is aligned to the Council's corporate governance arrangements, whilst also being responsive to any changes to the risks faced by the Council during the year. The Internal Audit Plan was reviewed and the amendments to the plan were approved at the Audit Committee meeting on 18<sup>th</sup> September 2017.

The Internal Audit plan for the Audit section for 2017/18 is made up of a total of 3,500 days (2,900 for the audit team and 600 for the investigations team): 2,519 chargeable days were agreed – 2,102 for the audit team and 417 for the investigations team (see separate report at item 10.2 of the agenda).

This report serves to provide an update on progress against the audit plan to 31<sup>st</sup> December 2017.

### 1.2 Internal Audit Section Resources

The Internal Audit section reports directly to the Head of Finance. 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. In all other respects, the Head of Finance reports to the Corporate Director Resources.

As members will be aware from previous reports to this Committee, there were a number of occasions of sickness absence in the team for various reasons during the first four months of the year. This reduced the number of chargeable days worked for that period. For the period August to Mid-January there has been 8 days of short-term sickness, which have been able to be absorbed with in the delivery of the audit plan.

A Principal Auditor was appointed at the end of November 2017 and commenced work in the section on 18<sup>th</sup> December 2017. This recruitment exercise also allowed the recruitment of a temporary Principal Auditor for a period of six months from 1<sup>st</sup> February 2018.

These appointments against a backdrop where other authorities in both Wales and the Core Cities group have highlighted difficulties in recruiting experienced auditors. Members will be aware that it had proved difficult to recruit to the post, despite a number of attempts.

### 1.3 Continuing Professional Development

The Council's new Personal Review Scheme from April 2017 has been used to reinforce the focus on improvement in productivity and recommendations implemented. The objectives for 2017/18 underpin the work of the internal audit section and were discussed and agreed with the members of the Section by the end of June 2017. The half-year reviews were completed by the deadline given (30<sup>th</sup> November 2017).

The Performance Review process and the self-assessment against skills and competencies is a cornerstone of the Quality Assurance Improvement Plan for the section. In addition, the Cardiff Internal Audit Section is an active member of the Welsh Chief Internal Auditors group and support attendance at training events held.

## 2. SUMMARY OF WORK PERFORMED

The Audit Plan for 2017/18 set the scene for audit coverage for the year and the planned assignments have been set up in the audit planning, monitoring and control database. Priority had been given to any audits planned for 2016/17 but not completed during that year.

A full Plan v Actual position is provided at **Appendix B** and includes agreed changes to planned coverage, taking into account the need to review available resources due to sickness, the enhanced productive time of agency workers and areas identified from work of other scrutiny committees. It also shows the position with each audit as at the end of December 2017.

This progress report concentrates on audit work undertaken and highlights performance against the Audit Plan. The table below has identified for each line in the audit plan the status in terms of delivery. For the purpose of clarity, an audit has been designated as completed when a report has been issued or work has been completed on the CRSA to inform further audits. It can be seen that 34% of audits have been completed with a further 52% of audits being completed by 28 February and 31 March respectively. It should be noted that the 46 audits completed have resulted in 72 reports being issued.

The audits identified as not scheduled for completion by 31 March 2018 will have completed the majority if not all of the fieldwork by that date but an audit report will be issued in April / May 2018.

The list of the audits that are not scheduled for completion by 31 March 2018 are set out below;

- Housing Rents
- Vehicle Usage
- Disciplinary Process
- Pensions & investments in year testing
- Stores
- Business Continuity
- Section 106 agreements
- City Operations Admin Processes
- Leasehold Properties
- Social Services Admin Processes

The audits identified as deferred are because of timing issues particularly where resources are already targeted to be put into that areas and the benefits of a review currently would be limited. The list of those audits marked as deferred are set out below;

- Domiciliary care
- Premises / Statutory obligations in opted-out schools
- Corporate governance arrangements
- Programme & Projects
- Regional Partnership Board
- Assessment of return on Investment of new housing developments
- Mileage & Subsistence
- School Admissions



The table below summarises the plan as at 31<sup>st</sup> December 2017:

Status of audits	Number of audits	Percentage of plan (%)
Completed	46	34.07
Deferred	8	5.92
On schedule for completion by 28.02.18	29	21.49
On schedule for completion by 31.03.18	42	31.11
Not scheduled for completion by 31.03.18	10	7.41
	135	100.00

As Members will be aware, a reduction in the audit plan of 250 days was agreed at the meeting in September to reflect the working time lost by sickness absence and the principal auditor post vacancy.

The number of chargeable days allocated to audits to 31<sup>st</sup> December 2017 is 1,050 (against a pro-rata plan of 1,577 days based on the original plan), which is 66% of the planned chargeable days. The resource limitations of the early part of the year have already been documented along with the remedial action proposed and implemented and, based on the reduced number of chargeable days, the percentage is 79% (77% at the November meeting).

A major component of the 2017/18 Audit Plan was the four thematic reviews (five for Education). Each Directorate would be considered in respect to commissioning and procurement, payroll, governance and effective decision-making whilst income was added for Education only. As each thematic review is completed, the results will be contained within the Audit Progress report.

The timetable agreed at the meeting in September indicated that the main points identified from the thematic reviews for governance would be reported to this meeting. However, the fieldwork for these directorate reviews has not yet been completed, and the main points will be reported to the March meeting.

The opinions given in reports issued to the end of December 2017 are shown below:

	Number of reports	Opinion				No opinion given
		High Assurance / Effective	Satisfactory / Effective with opportunity for improvement	Limited / Insufficient with major improvement needed	No Assurance / Unsatisfactory	
Draft reports issued	13	5	4	3	0	1
Final reports issued	59	19	22	10	0	8
<b>TOTAL</b>	<b>72</b>	<b>24</b>	<b>26</b>	<b>13</b>	<b>0</b>	<b>9</b>
Draft reports being reviewed	8					

It can be seen that 72 reports have been issued against 46 completed assignments. The difference is because, within the audit plan for Education, the thematic reviews are entered as one audit. However, action plans are issued to each school within the themes.

The nine pieces of work undertaken that have not been given an assurance opinion are as shown in previous reports and are shown in the table below:

Audit	Comments
Welsh Language Standards	Briefing paper for consideration by Senior Management Team. Further, audit work to be considered after Q3.
Breakfast Club – Coryton Primary School	Briefing paper on the Breakfast Club provided at the request of the Head teacher.
Annual Returns (x 4)	Audits undertaken to support the Council’s Statement of Accounts.
Supporting People Outcomes	A review of the outcomes information relating to the Supporting People grant (as required by the Welsh Government).
Illegal Money Lending Unit	Audit of grant for 2016/17 and submission of information to the NTSB.
Education Improvement Grant	Audit of grant for 2016/17 and submission of information to the Welsh Government.

### **3. AUDIT PERFORMANCE AND ADDED VALUE**

#### **3.1 Added value**

Meetings are arranged with every Director, in line with our Relationship Manager initiative, and should take place at the end of (or near to the end of) each quarter. Additional meetings are held in February to discuss the audit plan for the forthcoming year, and Directors find them

useful in discussing audits completed and planned as well as directorate risks, issues and areas for potential audit input (as required in the PSIAS).

Where Directors postpone meetings, they are rearranged and meetings are now diarised with all Directors for the forthcoming 12 months.

### 3.2 Benchmarking

The Audit team is a member of the Welsh Chief Auditors, Core Cities, and CIPFA benchmarking groups and has submitted information to all groups for 2016/17. Final information has been received from CIPFA and was reported to the Committee at the September meeting, with the output from the Welsh Chief Auditor Group reported to the November meeting. No data has yet been received from the Core Cities Group.

### 3.3 Processes

Internal Audit has continued its use of SharePoint and DigiGOV and the management information available from both systems provides performance management information for each auditor and the section as a whole, as well as the information provided in this report.

The Audit Development Group will be looking at further developing the use of SharePoint in the next quarter to enable audit reports to be shared with more audit clients directly (using the workflow functionality). The Group will also look within Sharepoint to streamline the team's processes by increasing the use of the "softer" functionality, such as the team calendar and announcements.

Discussions remain on going with colleagues in Education regarding access permissions for Head teachers, with the possibility of using the new on-line portal to communicate with them. All Audit regulations and guidance notes are now available to schools via the on-line portal.

### 3.4 Recommendations implemented

One of the objectives in 2017/18 from the Finance delivery plan is to ensure that accountability and responsibility is clearly defined and acted upon, and the measure for Internal Audit is the percentage of recommendations implemented within three months. In order to measure this, the recommendations raised in each report are recorded on SharePoint and audit clients are provided with a link to the report to enable them to update the progress made on

implementing each recommendation. Schools remain unable to access SharePoint in this way and Head teachers are provided with a copy of the recommendations for them to update.

The recommendations list on SharePoint is key information going forward in order to provide assurance to the Audit Manager and the Audit Committee that progress against the audit plan is being achieved as well as it being an effective way to assess the impact of the audit plan by identifying the % of audit recommendations implemented against those recommended. This is a good example of the reporting being more outcome focussed rather than focussing on inputs such as days available.

With regard to the implementation of recommendations as at the end of December 2017, it can be seen from **Appendix C** that 130 of the 294 (44%) recommendations raised so far in 2017/18 have been implemented. This would be expected at this stage of the year, as the deadline for some recommendations to be implemented have not yet been reached. For the recommendations raised where the implementation date has been reached, 120 have been actioned.

Auditors are also focussing on the recommendations that are being written to ensure that audit clients are clear on their responsibilities for improving controls. In addition, recommendations focus on the root causes of issues identified, so that managers understand the actions to be taken.

### 3.5 External assessment

Members will be aware that, under the Public Sector Internal Audit Standards (PSIAS), there needs to be an external review of the Section by 31<sup>st</sup> March 2018. The review was due to take place in Q4 2016/17 but was postponed with the agreement of the external assessor in order to allow for the changes in processes and procedures outlined at the March 2017 Committee to embed.

The peer review has now been completed and a draft report has been received from the external assessor (as seen at agenda item 10.1 to this meeting).

Members will also be aware that, as part of the peer review process as agreed with most other Welsh councils; Cardiff is due to undertake the assessment of Swansea Council. Meetings have

been held with the Chief Audit Executive of Swansea Council and the Section 151 Officer and this work is ongoing, with the aim of reporting to the Audit Committee of that Council in February 2018.

#### **4. SCRUTINY COMMITTEE CORRESPONDENCE**

At the March meeting of the Audit Committee, it was proposed that future progress reports included any relevant items arising from Scrutiny Committees. A review of the correspondence and matters discussed at the Council's Scrutiny Committees has shown a number of items to be considered as part of the work of Internal Audit in future quarters.

Agenda item 10.4 shows examples of reports to Scrutiny Committees that will be taken into account in the preparation of the audit plan for 2018/19.

#### **5. FUTURE AUDIT PLANNING**

Work has begun to develop the audit plan for 2018/19, using assurance mapping to identify areas that should be considered for inclusion in the plan. Further information on the planning process and the proposed draft plan for 2018/19 can be found at agenda item 10.4.

#### **6. CONCLUSION**

The indications are that 86.67% of the Audit Plan will be delivered by the 31 March 2018 with the remaining work scheduled to be reported in early 2018/19 or planned to be resources in the 2018/19 audit plan.

The audit plan is subject to regular review to ensure that it is reflective of changes to risks faced by the Council and to ensure resources available are used in an optimised manner. Whilst there is pressure on the audit team to achieve the plan there is confidence that the proposals put in place will ensure that the internal audit plan will be achieved and that an appropriate level of assurance will be achieved.

A further report on the progress of the internal audit team and the audit plan will be brought to Audit Committee as scheduled in March 2018.

Reports Issued - as at 31<sup>st</sup> December 2017

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
<b>Fundamental / High</b>				
NDR	Effective			
Council Tax	Effective			
Main accounting 2016/17	Effective			
Resources – payroll	Effective			
Governance & Legal Services – payroll	Effective			
Social Services – payroll	Effective			
City Operations – payroll	Effective with opportunity for improvement			Draft issued
<b>Medium</b>				
St. Cuthbert's	Limited	2	2	
St. David's	Satisfactory	1	1	
Welsh Language Standards	None given			
Adopted Land	Limited	3	3	
Mount Stuart	Satisfactory	1	1	
Eastern High	Satisfactory			
ICT – PCI DSS	Insufficient with major improvement needed	2	1	
ICT – governance	Effective with opportunity for improvement			
Insurance	Effective			
VFM – sickness absence procedures	Effective			
Homecare (Mobile Scheduling)	Insufficient with major improvement needed	0	0	
Education – income (Eastern High)	Effective			
Education – income (Whitchurch High)	Effective with opportunity for improvement			
Education – income (Bryn Celyn)	Effective			
Education – income (Gwaelod y Garth)	Effective			
Education – income (St. Patrick's)	Effective			
Education – income (Lansdowne)	Effective			
Education – income (Ninian Park)	Effective			
Education – income (Ysgol Bro Eirwg)	Effective			
Education – income (Radnor)	Effective			
Education – income (Grangetown)	Effective with opportunity for improvement			
Education – income (Springwood)	Effective with opportunity for improvement			

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Education – income (Christ the King)	Effective with opportunity for improvement			
Education – income (Willows)	Effective			
Education – income (Ysgol Pen y Pil)	Effective with opportunity for improvement			
Education – income (Greenhill)	Effective			
Education – income (Llanishen Fach)	Insufficient with major improvement needed	2	2	
The Court	Insufficient with major improvement needed	1	1	
ICT – Business Continuity and Disaster Recovery	Insufficient with major improvement needed	0	0	
Cradle to Grave - Days	Effective with opportunity for improvement			
Education – income (Ysgol Mynydd Bychan)	Effective			
Education – income (St. Peter’s)	Insufficient with major improvement needed	1	1	
Catering in opted out schools	Effective with opportunity for improvement			
Education – payroll (Cathays)	Effective with opportunity for improvement			
Education – payroll (Tremorfa Nursery)	Effective with opportunity for improvement			
Education – payroll (Oakfield)	Effective			
Education – payroll (Lakeside)	Effective with opportunity for improvement			
Education – payroll (Rhydypenau)	Effective with opportunity for improvement			
Education – income (St. Paul’s)	Effective			
Education – income (Ton yr Ywen)	Effective with opportunity for improvement			
Adamsdown	Insufficient with major improvement needed	1		Draft issued
St. Mary’s	Insufficient with major improvement needed	1		Draft issued
Education – payroll (Bishop of Llandaff)	Effective			Draft issued
Education – payroll (Herbert Thompson)	Effective with opportunity for improvement			Draft issued
Education – payroll (Mount Stuart)	Effective			Draft issued
Education – income (Fairwater)	Insufficient with major improvement needed	1		Draft issued
Education – income (Glyncoed)	Effective			Draft issued
Education – income (Kitchener)	Effective			Draft issued
Education – income (Ysgol Melin Gruffydd)	Effective with opportunity for improvement			Draft issued

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
<b>Follow-ups</b>				
Birchgrove	Satisfactory			
St. Monica's	Satisfactory	1	1	
All Saints	Limited	5	5	
Land Charges	Satisfactory			
Payments to Care Leavers	Limited	2	2	
Children with Disabilities	Effective with opportunity for improvement			
<b>Grants / Accounts / External Bodies</b>				
Joint Committee – City Deal	Annual returns (part of Statement of Accounts)			
Joint Committee – Port Health				
Joint Committee – Prosiect Gwyrdd				
Joint Committee – Glamorgan Archives				
Supporting People - outcomes	Assessment of outcomes for Supporting People grant			
Illegal Money Lending Unit	Audit of grant for 2016/17 and submission of information to NTSB			
Education Improvement Grant 2016/17	Audit of grant for 2016/17 and submission of information to Welsh Government			
<b>Ad hoc assignments</b>				
Breakfast Club – Coryton Primary School	Audit undertaken at the request of the Head teacher			



## Audit Plan 2017/18

Fundamental Audits - S151 Assurance	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days	Status as at 31.12.17	Revised Days
Creditor Payments & Processing (including procurement)	Assurance	Chargeable	75	CRSA 2017/18	10	On schedule to be Completed by 31.03.2018	10
				In-year testing 2016/17 and 2017/18	65	On schedule to be Completed by 31.03.2018	30
Payroll	Assurance	Chargeable	70	CRSA 2017/18	10	On schedule to be Completed by 31.03.2018	10
				In-year testing 2016/17 and 2017/18	60	Completed	60
Council Tax	Assurance	Chargeable	15	CRSA 2017/18	5	On schedule to be Completed by 31.03.2018	5
				In-year testing 2016/17	10	Completed	10
NNDR	Assurance	Chargeable	15	CRSA 2017/18	5	On schedule to be Completed by 31.03.2018	5
				In-year testing 2016/17	10	Final report issued	10
Local Housing Allowances	Assurance	Chargeable	15	Local Housing Allowances	15	On schedule to be Completed by 31.03.2018	15
Treasury Management	Assurance	Chargeable	10	CRSA 2017/18	4	On schedule to be Completed by 31.03.2018	4
				In-year testing 2017/18	6	On schedule to be Completed by 31.03.2018	6
Main Accounting	Assurance	Chargeable	10	CRSA 2017/18	4	On schedule to be Completed by 31.03.2018	4
				In-year testing 2016/17	6	Completed	6
Income and Debtors	Assurance	Chargeable	30	Income and Debtors	30	On schedule to be Completed by 31.03.2018	30
Asset Management	Assurance	Chargeable	30	Asset Management	30	On schedule to be Completed by 31.03.2018	15
Housing Rents	Assurance	Chargeable	10	Housing Rents	10	Not scheduled for completion	10
<b>Total</b>			<b>280</b>		<b>280</b>		<b>230</b>
Corporate Governance Assurance - Audit (Tier 1)	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days	Status as at 31.12.17	Days
Audit of risk management arrangements	Assurance	Chargeable	20	Audit of risk management arrangements	20	On schedule to be Completed by 31.03.2018	20
Audit of governance arrangements	Assurance	Chargeable	30	Audit of governance arrangements	30	Deferred	0
Audit of ethics and values	Assurance	Chargeable	15	Audit of ethics and values	15	Completed	15
Audit of performance management	Assurance	Chargeable	15	Audit of performance management	15	On schedule to be Completed by 31.03.2018	15
Audit of Information governance	Assurance	Chargeable	20	Audit of Information governance	20	Completed	20
<b>Total</b>			<b>100</b>		<b>100</b>		<b>70</b>
Programme and projects (including ODP)	Assurance	Chargeable	20	Programme and projects (including ODP)	20	Deferred due to changes in the OD programme	0
<b>Total</b>			<b>20</b>		<b>20</b>		<b>0</b>
Other Assurance (Tier 2)	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days	Status as at 31.12.17	Days
Contract Audit	Assurance	Chargeable	130	Revision of CSO&PR and training	15	On schedule to be Completed by 31.03.2018	15
				CRSA 2017/18	10	On schedule to be Completed by 31.03.2018	10
				In-year testing 2017/18, including contract variations	35	On schedule to be Completed by 31.03.2018	35
				Effective Decision Making	10	On schedule to be Completed by 31.03.2018	10
				Cradle to Grave reviews (2)	10		0
				Cradle to Grave review - Days	0	Completed	5
				Cradle to Grave review - Gullivers	0	On schedule to be Completed by 31.03.2018	5
				GLL and other partnership working	50	On schedule to be Completed by 28.02.2018	50
Education - SOP	Assurance	Chargeable	30	Education - SOP	30	On schedule to be Completed by 28.02.2018	30
Computer Audit	Assurance	Chargeable	100	Cybersecurity governance	30	On schedule to be Completed by 31.03.2018	30
				Inventory of information assets	20	On schedule to be Completed by 31.03.2018	20
				Standard security configurations	20	On schedule to be Completed by 31.03.2018	20
				Information Access Management	10	On schedule to be Completed by 31.03.2018	10
				Response and remediation	10	On schedule to be Completed by 31.03.2018	10
				On-going monitoring	10	On schedule to be Completed by 31.03.2018	10
				Server virtualisation	0	On schedule to be Completed by 31.03.2018	0
				PCI DSS	0	Completed	0
Business Continuity and Disaster Recovery	0	Completed	0				
Driving Improvement - Value for Money studies	TBC	Chargeable	30	Vehicle usage	10	Not scheduled for completion	10
				Disciplinary process	5	Not scheduled for completion	5
				PP&DR process	5	On schedule to be Completed by 31.03.2018	5
				Sickness Absence procedures	5	Completed	5
				Discretionary grant payments	5	On schedule to be Completed by 28.02.2018	5
System Development	TBC	Chargeable	30	System Development	30	On schedule to be Completed by 31.03.2018	15
Pensions and Investments	Assurance	Chargeable	10	CRSA 2017/18	4	On schedule to be Completed by 31.03.2018	4
				In-year testing 2016/17	6	Not scheduled for completion	6
Insurance	Assurance	Chargeable	10	CRSA 2017/18	4	On schedule to be Completed by 28.02.2018	4
				In-year testing 2016/17	6	Completed	6
Mileage & subsistence	Assurance	Chargeable	10	Mileage & subsistence (including pool cars)	10	Deferred	0
Stores	Assurance	Chargeable	15	Stores	15	Not scheduled for completion	15
Business Continuity	Assurance	Chargeable	15	Business Continuity	15	Not scheduled for completion	15
<b>Total</b>			<b>380</b>		<b>380</b>		<b>355</b>

Service specific audits (Tier 2)	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days	Status as at 31.12.17	Days
City Operations	Assurance	Chargeable	120	Commissioning and Procurement	120	On schedule to be Completed by 28.02.2018	30
				Governance		On schedule to be Completed by 28.02.2019	20
				Payroll		On schedule to be Completed by 28.02.2018	20
				Effective Decision Making		On schedule to be Completed by 28.02.2018	20
				Section 106 agreements		Not scheduled for completion	10
				Not yet allocated		Not scheduled for completion	20
				Adopted Land		0	Completed
Communities, Housing and Customer Services	Assurance	Chargeable	120	Commissioning and Procurement	20	On schedule to be Completed by 28.02.2018	20
				Governance	15	On schedule to be Completed by 28.02.2018	15
				Payroll	10	Completed	10
				Effective Decision Making	20	On schedule to be Completed by 28.02.2018	20
				Leasehold Properties	15	Not scheduled for completion	15
				Supporting People contracts	10	On schedule to be Completed by 31.03.2018	10
				Mini-tender Process	15	On schedule to be Completed by 31.03.2018	15
				Assessment of Return on Investment (new housing developments)	15	Deferred	0
				Community Hubs - follow up	0	Completed	0
				Regional Partnership Board	0	Deferred	0
				Communities First	0	Completed	0
				Consultation	Building Services Maintenance Framework	0	Completed
	Economic Development	Assurance	Chargeable	110	Commissioning and Procurement	20	On schedule to be Completed by 28.02.2018
Governance					5	On schedule to be Completed by 28.02.2018	5
Payroll					5	Completed	5
Effective Decision Making					10	On schedule to be Completed by 28.02.2018	10
Managing Lease Arrangements					10	On schedule to be Completed by 31.03.2018	10
Use of Internal and External Providers					10	On schedule to be Completed by 31.03.2018	10
Commercial Services					50	On schedule to be Completed by 31.03.2018	50
Education and Lifelong Learning	Assurance	Chargeable	330	Commissioning and Procurement	40	On schedule to be Completed by 28.02.2018	30
				Governance	40	On schedule to be Completed by 28.02.2018	40
				Payroll	20	Completed	20
				Effective Decision Making	40	On schedule to be Completed by 28.02.2018	30
				Income	30	Completed	30
				Premises / stat observations in opted-out schools	20	Deferred	0
				Music Service	10	On schedule to be Completed by 28.02.2018	10
				Catering in opted-out schools	15	Completed	15
				New developments, including Eastern High	35	On schedule to be Completed by 28.02.2018	35
				CRSA 2017/18	30	Completed	30
				Work in individual schools	50		0
				Adamsdown	0	Completed	5
				All Saints	0	Completed	5
				Birchgrove	0	Completed	5
				Eastern High	0	Completed	5
				Mount Stuart	0	Completed	5
				St. Cuthbert's	0	Completed	5
				St. David's	0	Completed	5
				St. Mary's	0	Completed	5
				St. Monica's	0	Completed	5
				The Court	0	Completed	5
				Kitchener	0	Completed	5
School Admissions	0	Deferred	0				
Governance and Legal Services	Assurance	Chargeable	20	Commissioning and Procurement	6	On schedule to be Completed by 28.02.2018	6
				Governance	2	On schedule to be Completed by 28.02.2018	2
				Payroll	2	Completed	2
				Effective Decision Making	5	On schedule to be Completed by 28.02.2018	5
				Use of external legal advice	5	On schedule to be Completed by 28.02.2018	5
				Land charges follow up	0	Completed	0
Resources	Assurance	Chargeable	50	Commissioning and Procurement	10	On schedule to be Completed by 28.02.2018	10
				Governance	15	On schedule to be Completed by 28.02.2018	15
				Payroll	10	Completed	10
				Effective Decision Making	15	On schedule to be Completed by 28.02.2018	15
Social Services	Assurance	Chargeable	300	Commissioning and Procurement	50	On schedule to be Completed by 28.02.2018	50
				Governance	50	On schedule to be Completed by 31.03.2018	50
				Payroll	20	Completed	20
				Effective Decision Making	40	On schedule to be Completed by 31.03.2018	30
				ICT systems and associated procedures	40	On schedule to be Completed by 28.02.2018	20
				Admin processes	30	Not scheduled for completion	30
Domiciliary Care	30	Deferred	0				

				Payment processes	40	Completed	40
				Homecare (Mobile Scheduling)	0	Completed	0
				Children with Disabilities	0	Completed	0
				Payments to Care Leavers	0	Completed	0
<b>Total</b>			<b>1,050</b>		<b>1,050</b>		<b>940</b>
<b>External (Tier 2)</b>	<b>Type of engagement</b>	<b>CIPFA classification</b>	<b>Original audit plan</b>	<b>Assignment</b>	<b>Days</b>	<b>Status as at 31.12.17</b>	
External clients	Assurance	Chargeable	10	Cardiff Further Education Trust Fund	1	On schedule to be Completed by 28.02.2018	6
				Joint committees	3	Completed	3
				Other external clients	14		0
				Norwegian Church Trust 2015/16	0	On schedule to be Completed by 31.03.2018	5
				Norwegian Church Trust 2016/17	0	On schedule to be Completed by 31.03.2018	5
				Supporting People outcomes	0	Completed	4
				Education Improvement Grant	0	Completed	0
Grants	Assurance	Chargeable	20	Tresilian House	2	On schedule to be Completed by 31.03.2018	2
				IMLU	5	Completed	5
				Other grants	5		0
<b>Total</b>			<b>30</b>		<b>30</b>		<b>30</b>
<b>Contingencies</b>	<b>Type of engagement</b>	<b>CIPFA classification</b>	<b>Original audit plan</b>	<b>Assignment</b>	<b>Days</b>	<b>Status as at 31.12.17</b>	
General Audit		Chargeable	82	General Audit	82	Completed	77
<b>Total</b>			<b>82</b>		<b>82</b>		<b>77</b>
<b>Management (Tier 3)</b>	<b>Type of engagement</b>	<b>CIPFA classification</b>	<b>Original audit plan</b>	<b>Assignment</b>	<b>Days</b>	<b>Status as at 31.12.17</b>	
Support for Audit Committee / liaison with WAO	Consultation	Chargeable	40	Support for Audit Committee / liaison with WAO	40	On schedule to be Completed by 31.03.2018	40
Assurance mapping	Consultation	Chargeable	20	Assurance mapping	20	Completed	20
CRSA development	Consultation	Chargeable	10	CRSA development	10	Completed	0
Work requested by Audit Manager	Consultation	Chargeable	20	Work requested by Audit Manager	20		20
Audit Planning and monitoring	Consultation	Chargeable	20	Audit Planning and monitoring	20	On schedule to be Completed by 31.03.2018	20
Process Development	Consultation	Chargeable	20	Process Development	20		20
Review of Financial Rules etc	Consultation	Chargeable	30	Review of Financial Rules etc	30	On schedule to be Completed by 31.03.2018	30
Consultancy - advice and guidance	Consultation	Chargeable		Consultancy - advice and guidance		On schedule to be Completed by 31.03.2018	
<b>Total</b>			<b>160</b>		<b>160</b>		<b>150</b>
<b>Total chargeable days</b>			<b>2,102</b>		<b>2,102</b>		<b>1,852</b>

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**AUDIT COMMITTEE: 30 January 2018**

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**INTERNAL AUDIT PROGRESS REPORT 2017/18 – INVESTIGATION TEAM**

**REPORT OF THE HEAD OF FINANCE**

**AGENDA ITEM: 6.3**

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**Reason for this Report**

1. Audit Committee's Terms of Reference requires that Members consider reports from the Audit Manager on Internal Audit's performance during the year.
2. This report has been prepared to provide Audit Committee Members with an update on the work of the Audit Section's Investigation team, as at 31 December 2017.

**Background**

3. An Audit Plan is prepared each year in order to provide a measure of the work performed by the Audit function. It is important that this allows for flexibility so that professional judgement can be applied, and work prioritised over the life of the Plan.
4. The Head of Finance prepares quarterly and half-yearly progress reports, outlining the work undertaken by the team.
5. The Corporate Director Resources receives progress updates, in order to provide a meaningful update on the work of the team and to give the opportunity to discuss changing priorities.

**Issues**

6. The attached progress report can be found at Appendix A for information.
7. The CIPFA counter-fraud benchmarking club compared data from: Bristol, Cardiff, Cornwall, Gateshead, Lancashire, Nottinghamshire, Redbridge, St Helens, Warwickshire and Wigan. The Cardiff counter-fraud function cost per £m gross turnover is £125 compared to the group average of £175.
8. The number of investigations completed during 2017/18 exceeds the total for the same period last year. Due to the time it takes to conduct an investigation, cases will often be concluded in a different quarter than received.
9. There are currently 37 ongoing investigations, 54% of which relate to Council Tax Liability. The ongoing adhoc investigations are primarily related to employees and relate to ongoing disciplinary matters and potential suspected fraud.
10. Other than the current liability evasion, some frauds do not have a clear monetary value, for example, misusing a blue badge, concessionary travel or tenancy fraud. In respect of tenancy fraud, the Cabinet Office use a notional figure of £93,000 as a reflection of the costs associated with recovering the council property and housing a family in temporary accommodation.

**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 notes the content of the report.

**IAN ALLWOOD**  
**HEAD OF FINANCE**  
30 January 2018

The following is attached:

**Appendix A:** Investigation Team - Progress Report December 2017

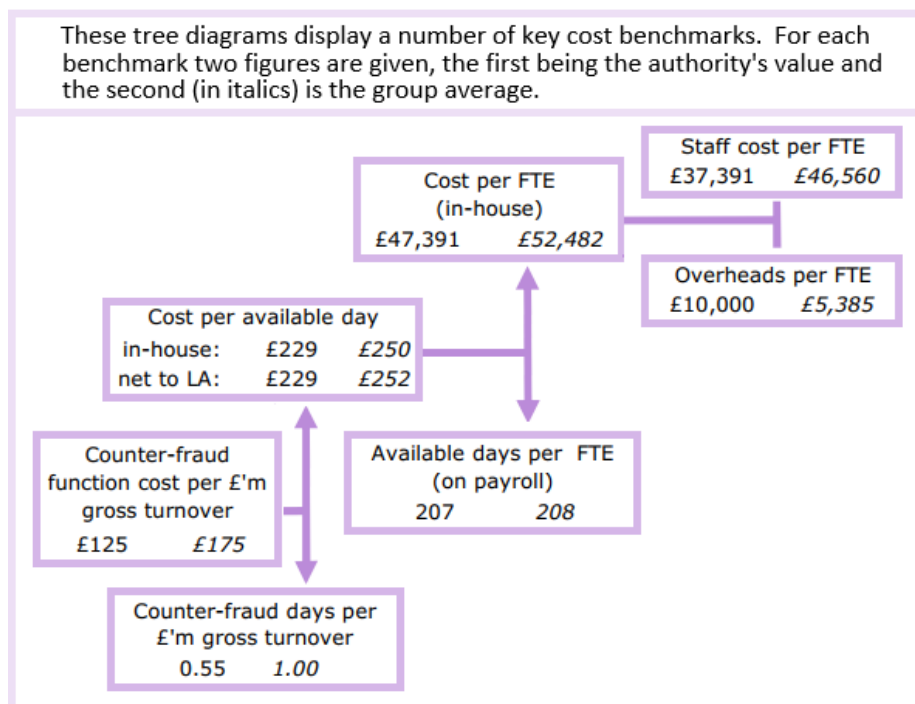
# Investigation Team – Progress Report

## Resources



The current Investigative resource is 2.5 FTE, the team's investigator left the Council on the 24<sup>th</sup> November 2017 and following a successful recruitment process, a new investigator has been appointed and should commence duties during February 2018.

In respect of resourcing, the current CIPFA counter fraud, benchmarking club states:



## Training

During November the Investigation Assistant attended the CIPFA, Accredited Counter Fraud Technician Training. The course examined the impact of fraud in the UK and included an overview of the civil and criminal justice systems. It focused on fraud awareness, how to gather evidence and how to obtain information without prejudicing any later investigation.

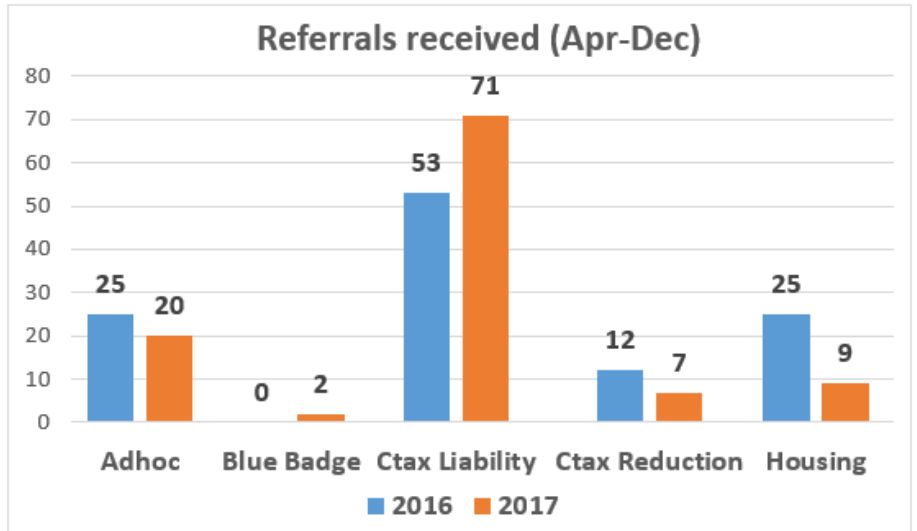
Thirty nine people attended the Disciplinary Policy, Investigating Officer training during quarter 3, 100% were satisfied with the training received. 19 people attended the Investigatory Interview note taker training, 100% were satisfied with the training.

## Policies and Procedures

A draft online investigations procedure has been produced and should be approved during quarter 4. A Counter Fraud Toolkit has been produced to assist staff and has been published on the Investigation Team's public SharePoint site.

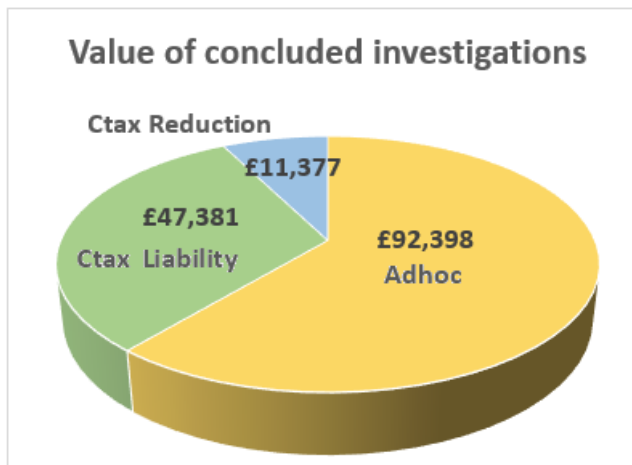
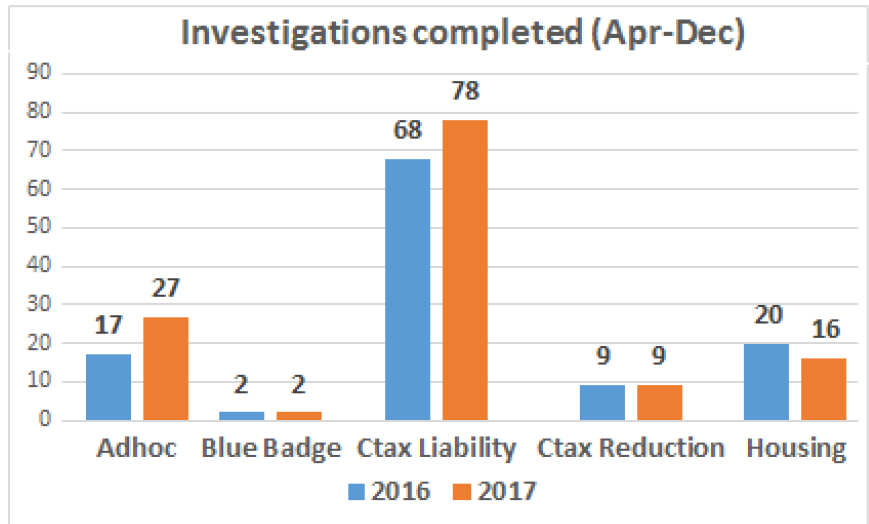
## Reactive - Referrals

109 referrals were received by the team, compared to 115 last year:



## Investigations concluded

132 cases were concluded with a value in excess of £150,000 compared to 116 cases last year for the same period:



Adhoc referrals relate to employee misconduct or allegations of fraud committed by external persons against the Council. Employee investigations may be led by the Investigation Team, or assistance / advice will be provided. It is a requirement that all officers who undertake the role of employee Investigating Officer attend the mandatory training delivered by the Investigation Team.



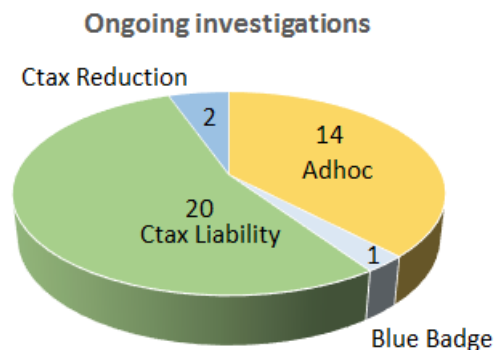
## Sanctions

During this quarter, three individuals have been cautioned as a result of committing fraud in respect of Council Tax discounts and one individual has been prosecuted as a result of illegally subletting their council house.

The Cabinet Office attributes a notional saving value of £93,000 for recovery of a social housing property (this figure is made up by calculating the temporary accommodation cost for genuine applicants, legal costs to recover the property, re-let costs and rent forgone during the void period between tenancies).

## Investigations ongoing

There are 37 ongoing investigations currently assigned to members of the investigation team:



## Data Matching



The annual National Fraud Initiative, data-matching exercise which matches Council Tax, Single Person Discount to Electoral Register data, was released in December and identifies 2,390 matches that require further interrogation by the Investigation Team.

Fighting Fraud and Corruption Locally is a strategy for English local authorities. This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.



The strategy states that Local authorities should consider their performance against each of the following six themes:

<b>C</b> ulture	creating a culture in which beating fraud and corruption is part of daily business
<b>C</b> apability	ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks
<b>C</b> ompetence	having the right skills and standards
<b>C</b> ommunication	raising awareness, deterring fraudsters, sharing information, celebrating successes
<b>C</b> apacity	deploying the right level of resources to deal with the level of fraud risk
<b>C</b> ollaboration	working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

The Investigation Team is committed to the principles of the strategy and have developed an action plan in order to comply with best practice. **Page 119**

Mae'r dudalen hon yn wag yn fwriadol

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**DRAFT INTERNAL AUDIT CHARTER 2018/19 AND DRAFT AUDIT PLAN  
2018/19**

**REPORT OF HEAD OF FINANCE**

**AGENDA ITEM: 6.4**

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**Reason**

1. The Current Terms of Reference for the Audit Committee sets out the responsibility to approve the Internal Audit Strategy on an annual basis.
2. The Audit Committee has a responsibility to review its Terms of Reference on an annual basis.
3. This report has been prepared to provide Audit Committee Members with the draft Internal Audit Charter for 2018/19 and the draft Audit plan for 2018/19.

**Background**

4. At the commencement of each financial year, consideration is given to updating key documents which form part of the Internal Audit function. The draft documents are submitted to Audit Committee at the January meeting to enable members of the Committee to consider and feed in comments in order for a final document to be approved at the March meeting prior to the commencement of the financial year.
5. The key documents have been drafted to clearly set out the Internal Audit function for this Council. Accompanying the Charter is a draft version of the Audit Committee Terms of Reference (see paragraph 11).
6. Under the PSIAS (standard 1110 – organisational independence), the Audit Committee is required to approve the risk based internal audit plan and, therefore, the draft Audit plan for 2018/19 is attached to this report.

**Issues**

**Audit Charter**

7. The Draft Internal Audit Charter set out in **Annex 1** is a formal document which establishes the Internal Audit Service's position within the organisation, the Audit Manager's functional reporting relationship with the Audit Committee, authorises access to records, personnel, physical properties relevant to the performance of engagements, and defines the scope of internal audit activities.

8. Contained within the Draft Internal Audit Charter are five appendices which add a further dimension to the Charter by explaining the parameters within which the internal audit function and audit committee operates.
9. Appendix A sets out the code of ethics for Internal Auditors and is focussed on the four key principles of Integrity, Objectivity, Confidentiality and Competency. This appendix will be formally used in the performance assessment of each internal auditor as part of the annual appraisal process.
10. Appendix B sets out the staffing resources allocated to Internal Audit function as well as outlining the reporting lines between the Audit Manager, the Section 151 Officer and the Audit Committee. This section also outlines the skill base of the team and the commitment to developing staff further through audit or Investigation qualifications.
11. Appendix C suggests the terms of reference for Audit Committee. The terms of reference may need to be revised when the CIPFA guidance on Audit Committees is received; the publication date for this document has been delayed until the end of January 2018 and any changes will be brought to the attention of Audit Committee members as soon as possible.
12. Appendix D reflects sets out the key strategic priorities of the Internal Audit function for 2018/19, thus providing a level of detail which highlights where resources will be focussed.
13. Appendix E sets out the key elements of the Internal Audit approach to the Quality Assurance & Improvement Programme which looks to focus on the internal auditor, customers and partners such as Wales Audit Office.

### **Audit Plan, 2018/19**

14. Contained within both the Draft Internal Audit Charter and the Terms of Reference are sections outlining the submission of a risk based Audit plan to be approved by Audit Committee. **Annex 2** contains the preliminary draft plan for 2018/19 which will be developed into further detail over the next month in order to be submitted for approval by Audit Committee in March 2018.
15. The draft plan has been prepared following consideration of a risk based methodology. Section 2010 of the PSIAS specifies that the risk based plan takes into account the organisation's assurance framework and that the work on internal audit addresses both local and national issues. The assurance available from both within and outside the Council is assessed to enable informed decisions regarding the audits to be undertaken in 2018/19. This "assurance mapping" exercise (using the "three lines of defence" model) also captures emerging risks and issues as they arise during the year to provide informed decisions on any changes that need to be made to the audit plan during the year; these changes are brought to the Audit Committee as they arise.
16. As Members will be aware, all three lines in the "three lines of defence" model have a specific part of play in the Council's internal control environment, and the audit plan is based on this model for the risks within the corporate risk register. Senior managers, as the first line of defence, have a joint and individual responsibility for risk management, governance and the control environment within their directorate; they provide assurance through the internal control processes. The second line of defence is corporate oversight such as reports to scrutiny committees, and regular review is made of the work programmes for each committee.

17. The third line of review is the external or third party review by bodies such as Wales Audit Office or Estyn, and these reports comment on a range of service delivery, performance and service improvement matters.
18. The assurance map is used to ensure that audit resources are used to assess risks and controls in the areas where assurance on the control environment cannot be gained from other sources; this will enable the Audit Manager to provide an opinion on the overall Council control environment. The plan, as set out in **Annex 2**, will be further informed by discussions with senior management during February 2018, which will ensure that the audit plan will set out very clearly the activities of Internal Audit for 2018/19.
19. Members will be aware that the audit plan for 2017/18 contained four themes (five for Education) which were audited across all directorates. Although these are not yet included in the draft plan at **Annex 2**, it is proposed that the areas for thematic review in 2018/19 are:
- (a) Partnerships and collaborative governance;
  - (b) Commissioning and procurement;
  - (c) Value for Money; and
  - (d) Budgeting and forecasting.
20. A fifth theme of ICT governance is being considered for Education only.
21. Alongside the discussions with senior management, consideration has been given to the correspondence and workplan for the Council's Scrutiny Committees in the development of the themes. Up to December 2017, these include areas such as:
- (a) Regional Partnership Board;
  - (b) Review of sickness absence;
  - (c) Lettings policy for high rise accommodation;
  - (d) Independent Living;
  - (e) 21<sup>st</sup> Century schools;
  - (f) Section 106 agreements;
  - (g) Flood risk management in Roath; and
  - (h) Cleaner Grangetown.
22. Members will also note that it is proposed to reduce the number of fundamental audits undertaken in 2018/19, with NNDR, Treasury Management, Main Accounting and Asset Management not being audited. A review of the systems and outcomes from audits over the past two years has shown that the fundamental systems are well controlled and few recommendations (if any) are raised. It was, therefore, considered that Internal Audit adds little value by annually auditing the fundamental systems. In addition, many of these systems are reviewed annually by the Council's external auditors as they underpin the Council's accounts and (although it is appreciated that the audits are carried out for different purposes and every effort is made to do the audits at different times of the year) there is a possibility that officers are being audited by two different audit teams at the same time.
23. Discussions have been held with the Council's external auditor regarding auditing fundamental systems on a biennial basis and it has been agreed that Internal Audit will look to audit fundamental systems on such a basis. However, if there are any major system or operational changes during the year when it is planned not to undertake a full audit, an audit of that system will be added to the audit plan for that year (and this change reported to a meeting of this Committee).

### **Legal Implications**

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

### **Financial Implications**

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

### **Recommendations**

26. To consider and provide comments on the Draft Internal Audit Charter and the accompanying appendices including the draft terms of reference for Audit Committee.

27. To consider and provide comments on the direction of the draft 2018/19 internal Audit Plan.

**IAN ALLWOOD  
HEAD OF FINANCE**

**Annex 1:** Draft Internal Audit Charter 2018/19

**Annex 2:** Draft Summary Audit Plan 2018/19



# CORPORATE RESOURCES INTERNAL AUDIT SECTION

City of Cardiff Council

## DRAFT INTERNAL AUDIT CHARTER 2018/19

### **Mission Statement**

*To enhance and protect organisational value by providing risk based and objective assurance, advice and insight*

#### **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 requested 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 Head of Finance, as Audit Manager, also has responsibility for other finance functions, namely:
  - (a) Accountancy
  - (b) Information Governance
  - (c) Business Support
  - (d) Revenues

and is treated as the audit client for audits in these areas. Each audit is reviewed and managed by the Group Auditor and reported to the Corporate Director, Resources.

8. The Audit Committee will approve all reports regarding the performance evaluation of the Internal Audit function.
9. 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 of no more than 10 planned audit days without seeking approval from the Audit Committee.
10. The resources allocated to the Internal audit activity are outlined in Appendix B in conjunction with the reporting arrangements.

### **Independence and Objectivity**

11. 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.
12. 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.
13. 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.
14. Auditors will complete, on an annual basis, a Declaration of Business Interests form and submit it to the Audit Manager for review and authorisation. Any declarations will be used to ensure that there are no conflicts of interest in the audits allocated and to demonstrate transparency. The Group Auditor will not allocate audits to officers where potential conflicts have been identified.
15. The Audit Manager will confirm to the Audit Committee at least annually the organisational independence of the internal audit activity.

### **Responsibility**

16. 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

17. 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 the quality of performance of external auditors and maintains proper degree of coordination with internal audit.
18. 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.
19. 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
20. The Audit Committee has a Terms of Reference which defines the area in which it operates and this is set out in Appendix C. The Terms of Reference are reviewed on a periodical basis.

#### **Internal Audit Plan**

21. 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.
22. 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.
23. 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 D.

#### **Reporting and Monitoring**

24. 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.
25. 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.

26. 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**

27. 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.

28. 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**

29. 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.

30. 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.

31. Action taken to ensure that the Quality Assurance and Improvement Programme is effective is set out in Appendix E.

## **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 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.

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**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** – 10.4 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** – 2.5 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. The Public Sector Internal Audit Standards are followed in all aspects of work undertaken.
5. For the purpose of the Public Sector Internal Audit Standards, 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 two 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 Review 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.



**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 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.

**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.

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**QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

A Quality Assurance and Improvement Programme (standard 1300) is designed to enable an evaluation of the Internal Audit section's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

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 reviews include assessment against a skills and competency framework.
6. Periodic self-assessments are undertaken to evaluate conformance with the Code of Ethics and the Standards.
7. Benchmarking exercises are undertaken in order to assess our performance against other comparable organisations and report on significant variances; action plans are developed and implemented where appropriate.
8. Relevant Codes of Practice and Standards are adhered to.
9. There is compliance with Professional Accountancy / Audit and the Council's Codes of Conduct.
10. Annual report and regular periodic reports are presented to the Section 151 Officer and to Audit Committee.
11. The Chief Audit Executive has regular contact with external scrutiny functions such as Wales Audit Office.
12. There is a commitment to undergoing an external inspection on conformance to PSIAS every five years.

**DRAFT SUMMARY AUDIT PLAN, 2018/19**

<b>Fundamental Audits - S151 Assurance</b>	<b>Type of engagement</b>	<b>CIPFA classification</b>	<b>Assignment code</b>	<b>Original audit plan, 2017/18</b>	<b>Draft audit plan, 2018/19</b>
Creditor Payments & Processing (including procurement)	Assurance	Chargeable	<i>FUN002</i>	75	70
Payroll	Assurance	Chargeable	<i>Various</i>	70	70
Council Tax	Assurance	Chargeable	<i>FUN038</i>	15	15
NNDR	Assurance	Chargeable	<i>FUN049</i>	15	0
Local Housing Allowances	Assurance	Chargeable	<i>FUN063</i>	15	15
Treasury Management	Assurance	Chargeable	<i>FUN080</i>	10	0
Main Accounting	Assurance	Chargeable	<i>FUN069</i>	10	0
Income and Debtors	Assurance	Chargeable	<i>FUN102</i>	30	30
Asset Management	Assurance	Chargeable	<i>FUN073</i>	30	0
Housing Rents	Assurance	Chargeable	<i>FUN120</i>	15	15
<b>Total</b>				<b>285</b>	<b>215</b>
<b>Corporate Governance Assurance - Audit (Tier 1)</b>			<b>Assignment code</b>	<b>Original audit plan, 2017/18</b>	<b>Draft audit plan, 2018/19</b>
Audit of risk management arrangements	Assurance	Chargeable	<i>AGR004</i>	20	20
Audit of governance arrangements	Assurance	Chargeable	<i>AGR002</i>	30	30
Audit of ethics and values	Assurance	Chargeable	<i>AGR009</i>	15	25
Audit of performance management	Assurance	Chargeable	<i>AGR010</i>	15	20
Audit of Information governance	Assurance	Chargeable	<i>AGR003</i>	20	15
<b>Total</b>				<b>100</b>	<b>110</b>
Delegation and decision making	Assurance	Chargeable	<i>AGR012</i>	0	0
Procurement	Assurance	Chargeable	<i>RES012</i>	0	0
Programme and projects (including ODP)	Assurance	Chargeable	<i>AGR013</i>	20	20
<b>Total</b>				<b>20</b>	<b>20</b>
<b>Other Assurance (Tier 2)</b>			<b>Assignment code</b>	<b>Original audit plan, 2017/18</b>	<b>Draft audit plan, 2018/19</b>
Contract Audit	TBC	Chargeable	<i>Various</i>	130	100
Education - SOP	TBC	Chargeable	<i>CON170</i>	30	0
Computer Audit	TBC	Chargeable	<i>Various</i>	100	100
Driving Improvement - Value for Money studies	TBC	Chargeable	<i>Various</i>	30	30
System Development	TBC	Chargeable	<i>PRO001</i>	30	30
Pensions and Investments	TBC	Chargeable	<i>FUN130</i>	10	0
Insurance	TBC	Chargeable	<i>OTH001</i>	10	10
Mileage & subsistence	TBC	Chargeable	<i>OTH002</i>	10	10
Stores	TBC	Chargeable	<i>OTH003</i>	15	10
Health and Safety	TBC	Chargeable	<i>OTH012</i>	0	10
Business Continuity	TBC	Chargeable	<i>PRO003</i>	15	15
<b>Total</b>				<b>380</b>	<b>300</b>

Service specific audits (Tier 2)			Assignment code	Original audit plan, 2017/18	Draft audit plan, 2018/19
City Operations	TBC	Chargeable	Various	150	150
Commercial Services	TBC	Chargeable	Various	0	60
Communities, Housing and Customer Services	TBC	Chargeable	Various	120	150
Economic Development	TBC	Chargeable	Various	70	70
Education and Lifelong Learning	TBC	Chargeable	Various	330	350
Governance and Legal Services	TBC	Chargeable	Various	20	50
Resources	TBC	Chargeable	Various	60	50
Social Services	TBC	Chargeable	Various	300	320
<b>Total</b>				<b>1,050</b>	<b>1,200</b>
External (Tier 2)			Assignment code	Original audit plan, 2017/18	Draft audit plan, 2018/19
External clients	Assurance		Various	10	10
Grants	Assurance	Chargeable	Various	20	20
<b>Total</b>				<b>30</b>	<b>30</b>
Contingencies			Assignment code	Original audit plan, 2017/18	Draft audit plan, 2018/19
General Audit		Chargeable	OTH010	30	30
<b>Total</b>				<b>30</b>	<b>30</b>
Management (Tier 3)			Assignment code	Original audit plan, 2017/18	Draft audit plan, 2018/19
Corporate work - committees, WAO etc.	Consultation	Chargeable	MGT010	50	50
Assurance mapping	Consultation	Chargeable	MGT014	20	10
CRSA development	Consultation	Chargeable	MGT015	20	20
Work for Audit Manager	Consultation	Chargeable	MGT017	20	20
Planning, monitoring & reporting	Consultation	Chargeable	MGT016	20	20
Process Development	Consultation	Chargeable	MGT018	20	20
Review of Financial Rules etc.	Consultation	Chargeable	MGT008	50	40
Consultancy - advice and guidance	Consultation	Chargeable	MGT001		
<b>Total</b>				<b>200</b>	<b>180</b>
Audit Team Non Chargeable Leave/Sickness/Training			Assignment code	Original audit plan, 2017/18	Draft audit plan, 2018/19
Annual Leave		Non-chargeable	YYY001	372	321
Public Holidays		Non-chargeable	YYY002	69	74
Maternity / Paternity / Parental Leave		Excluded	YYY003	70	5
Sickness		Non-chargeable	YYY006	84	25
Professional Studies		Non-chargeable	YYY016	56	41
Courses and seminars		Non-chargeable	YYY017		
<b>TOTAL AUDIT TEAM NON CHARGEABLE LEAVE/SICKNESS/TRAINING DAYS</b>				<b>651</b>	<b>466</b>



<b>Audit Team Non Chargeable Other</b>			<b>Assignment code</b>	<b>Original audit plan, 2017/18</b>	<b>Draft audit plan, 2018/19</b>
General Admin. (no identifiable client)		Non-chargeable	YYY009	84	77
General management		Non-chargeable	YYY010	7	7
Staff Development		Non-chargeable	YYY013	25	20
Internal Audit meetings (such as team meetings)		Non-chargeable	YYY015	38	36
<b>TOTAL AUDIT TEAM NON CHARGEABLE OTHER DAYS</b>				<b>154</b>	<b>140</b>

<b>TOTAL AUDIT TEAM CHARGEABLE DAYS</b>				<b>2,095</b>	<b>2,100</b>
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<b>TOTAL AUDIT TEAM NON CHARGEABLE DAYS</b>				<b>805</b>	<b>606</b>
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<b>TOTAL DAYS</b>				<b>2,900</b>	<b>2,706</b>
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<b>Investigations</b>			<b>Assignment code</b>	<b>Original audit plan, 2017/18</b>	<b>Draft audit plan, 2018/19</b>
General				420	490
<b>Total</b>				<b>420</b>	<b>490</b>

<b>Investigations Non Chargeable Leave/Sickness/Training</b>			<b>Assignment code</b>	<b>Original audit plan, 2017/18</b>	<b>Draft audit plan, 2018/19</b>
Annual Leave		Non-chargeable	YYY001	80	80
Public Holidays		Non-chargeable	YYY002	215	18
Sickness		Non-chargeable	YYY006	20	5
Professional Studies		Non-chargeable	YYY016	4	5
Courses and seminars		Non-chargeable	YYY017		
<b>TOTAL INVESTIGATIONS NON CHARGEABLE LEAVE/SICKNESS/TRAINING DAYS</b>				<b>119</b>	<b>108</b>

<b>Investigations Non Chargeable Other</b>			<b>Assignment code</b>	<b>Original audit plan, 2017/18</b>	<b>Draft audit plan, 2018/19</b>
General Admin.		Non-chargeable	YYY009	18	10
General management		Non-chargeable	YYY010	10	10
Staff Development		Non-chargeable	YYY013	16	9
Internal Audit meetings		Non-chargeable	YYY015	17	17
<b>TOTAL INVESTIGATIONS NON CHARGEABLE OTHER DAYS</b>				<b>61</b>	<b>52</b>

<b>TOTAL INVESTIGATIONS CHARGEABLE DAYS</b>				<b>420</b>	<b>490</b>
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<b>TOTAL INVESTIGATIONS NON CHARGEABLE DAYS</b>				<b>180</b>	<b>160</b>
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<b>TOTAL DAYS</b>				<b>600</b>	<b>650</b>
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Mae'r dudalen hon yn wag yn fwriadol

**AUDIT COMMITTEE: 30 January 2018**

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**SENIOR MANAGEMENT ASSURANCE STATEMENT REVIEW**

**REPORT OF THE HEAD OF FINANCE**

**AGENDA ITEM: 7.1**

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**Reason for this Report**

1. This report has been prepared to provide Audit Committee with a summary of the completed Senior Management Assurance Statements (SMAS's) for the mid-year position in the financial year 2017/18.

**Background**

1. Good governance is being open and transparent in our affairs, highlighting areas of concern at a corporate level and setting out effective arrangements for their management.
2. Directors have been asked to complete a Senior Management Assurance Document (SMAS), which feeds into the Annual Governance Statement (AGS), which forms a part of the Council's Statement of Accounts. The purpose of the AGS is to provide a true reflection of the governance arrangements in place within the Council.
3. Completion of the SMAS requires each Director to engage with their management teams in an evidence-based review. The assessment rating system is a 5-point maturity assessment, ranging from 'not in place', 'limited application', 'mixed application', 'strong application' to 'embedded'.
4. This evidence-based approach was introduced during 2016/17 and has been carried forward to 2017/18. The aim is to demonstrate more clearly the different levels of achievement across directorates, and to facilitate proportionate priority actions for directorates, where required. The rating system is aligned to the Audit Committee Self-assessment scale which is used for annual review purposes, in order to make the assessment more understandable and comparable.

**Issues**

5. There were 23 assurance statements answered by each Director, following engagement and review by their respective management teams. The results of the statements, summarised within 9 categories are included in Appendix A.
6. The results continue to show an overall 'strong' application of good governance across the assurance areas. The greatest maturity was identified in relation to internal control environment, risk management, fraud, financial impropriety, and compliance, performance management, programme and project assurance, monitoring, and maintaining a challenging budget position. These areas were assessed as strong or above at rates between 71% and 100%.

7. Partnership & collaborative governance is an area which has been identified as 36% Strong+ with the majority of directorates identifying mixed application. Opportunities have been identified to enhance the discipline of partnership governance particularly in respect to service delivery over the forthcoming year through inclusion of partnership activity within the overall monitoring reports to SMT.

#### **Legal Implications**

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

#### **Financial Implications**

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

#### **RECOMMENDATIONS**

10. That the Committee notes the content of the report.

**IAN ALLWOOD**  
**HEAD OF FINANCE**  
30 January 2018

The following Appendix is attached:

**Appendix A** – Summary of Senior Management Assurance Statements 2017/18 (Mid-Year)

**Senior Management Assurance Statements Category Analysis  
Mid Year 2017/18**

Assurance Statement Category	Not in Place	Limited Application	Mixed Application	Strong Application	Embedded	Strong +
<b>1. Risk Management</b>	0%	0% (16/17 3%)	14% (5) (16/17 40%)	77% (27) (16/17 49%)	9% (3) (16/17 Unchanged)	<b>86%</b> (16/17 57%)
<b>2. Partnership / Collaborative Governance</b>	0%	0%	<b>64%</b> (9) (16/17 50%)	36% (5) (16/17 50%)	0%	<b>36%</b> (16/17 50%)
<b>3. Compliance</b>	0%	0%	<b>21%</b> (3) (16/17 29%)	79% (11) (16/17 71%)	0%	<b>79%</b> (16/17 71%)
<b>4. Programme and Project Assurance</b>	0%	0% (16/17 9%)	19% (4) (16/17 29%)	76% (16) (16/17 62%)	5% (1)	<b>81%</b> (16/17 62%)
<b>5. Budget Monitoring</b>	0%	0% (16/17 14%)	<b>21%</b> (3) (16/17 14%)	57% (8) (16/17 50%)	<b>21%</b> (3) (16/17 Unchanged)	<b>78%</b> (16/17 71%)
<b>6. Planning and Decision Making</b>	0%	0%	<b>38%</b> (8) (16/17 48%)	62% (13) (16/17 52%)	0%	<b>62%</b> (16/17 52%)
<b>7. Internal Control Environment</b>	0%	0%	9% (2) (16/17 14%)	86% (18) (16/17 81%)	5% (1) (16/17 5%)	<b>91%</b> (16/17 86%)
<b>8. Fraud &amp; Financial Impropriety</b>	0%	0%	14% (1)	86% (6) (16/17 100%)	0%	<b>86%</b> (16/17 100%)
<b>9. Performance Measurement &amp; Management</b>	0%	0%	14% (2) (16/17 7%)	72% (10) (16/17 79%)	<b>14%</b> (2) (16/17 14%)	<b>85%</b> (16/17 93%)
<b>Totals</b>	0%	0% (16/17 3%)	23% (37) (16/17 29%)	71% (114) (16/17 62%)	6% (10) (16/17 Unchanged)	<b>77%</b> (16/17 68%)

Mae'r dudalen hon yn wag yn fwriadol

**AUDIT COMMITTEE: 30 January 2018**

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**AGS 2017-18 ACTION PLAN (MID-YEAR)**

**REPORT OF THE HEAD OF FINANCE**

**AGENDA ITEM: 7.2**

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**Reason for this Report**

1. The Audit Committee Terms of Reference requires a review of the Annual Governance Statement (AGS) prior to approval and consideration of whether it properly reflects the risk environment and supporting assurances. There is a requirement to take into account the internal audit opinion and the overall adequacy and effectiveness of the Council's framework for governance, risk management and internal control.
2. Specific components of the AGS reported individually to the Audit Committee are the biannual Senior Management Assurance Statements (SMAS) and the AGS Action Plan of significant governance issues.
3. This report provides members of the Audit Committee with the AGS Action Plan of significant governance issues at the mid-year position 2017/18, as assessed by the Senior Management Team (SMT). The year-end position will be reported in the Annual Governance Statement 2017/18.

**Background**

4. The AGS is a key governance document, which forms part of the Statement of accounts. The CIPFA / SOLACE Delivering Good Governance in Local Government Framework 2016, as adopted by the Council underpin it.
5. In May 2017, SMT considered the significant Governance issues and agreed to carry forward three governance issues forward to the 2017/18 action plan. The three issues were as follows;
  - Capacity and Decision Making
  - Commissioning capability and Capacity
  - Relevant Costs and Decision Making
6. In addition, to the three issues being carry forward SMT also identified during their Self-assessment process two new governance issues for them to monitor. The two following issues were added to the action plan for 2016/17 year end and to be taken forward into 2017/18.
  - Partnership Collaborative Governance
  - Robust and Sustainable Savings
7. The Mid- Year Senior Management Assurance Statement is to be considered at this meeting of the Audit Committee (agenda Item 7.1).

8. The draft AGS for 2017/18 will be presented to Audit committee for comment on 27 March 2018.

## **Issues**

9. The Chief Executive and the seven Directors each reviewed the AGS Action plan of five significant governance issues. SMT then collectively discussed the issues and agreed the current position.
10. SMT agreed that all significant governance issues remained applicable as currently drafted.
11. Suggested Governance issues from Directorates were considered but it was agreed that all issues identified were all covered by and monitored through the Corporate Risk Register.
12. Appendix A includes a description of each of the significant governance issues and the mid-year assessment.
13. The Action Plan continues to feed into the other building blocks of good governance. There will continue to be close links with the Corporate Risk Register and the Internal Audit Delivery Plan.

## **Legal Implications**

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

## **Financial Implications**

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

## **RECOMMENDATIONS**

16. That the Committee notes the content of the report.

**IAN ALLWOOD**  
**HEAD OF FINANCE**  
30 January 2018

The following Appendix is attached:

**Appendix A – Significant Governance Issues - Mid-Year Assessment 2017/18**



Significant Governance Issues Updated

Brought Forward	Mid Year 2017/18 Review Assessment
<p><b>Capacity &amp; Decision Making</b></p> <p>The Council is facing unprecedented financial pressures where significant savings have had to be realised, consequently Directorates have seen a reduction in staff resources which increases the pressure on staff to have the capacity to provide professional and sound advice</p>	<p>The capacity and decision making of the Council is being developed through both a review of management structures and workforce development.</p> <ul style="list-style-type: none"> <li>• Restructures are underway at corporate and directorate levels to ensure the management structure supports the delivery of corporate priorities.</li> <li>• Staff development is an important area of focus through Workforce Planning. To support and upskill existing officers courses are being designed and delivered by the Academy.</li> </ul>
<p><b>Commissioning Capability and Capacity</b></p> <p>In the new Organisational Framework it is critical that we challenge current service provision and priorities. The success of a number of programmes depends on having this capability and capacity in place e.g. Health &amp; Social Care transformation.</p>	<p>The importance of Commissioning remains key not only in everything the Council does, but also in the success of delivering Capital Ambition.</p> <p>The Council needs to improve its understanding of Commissioning as a whole in terms of undertaking meaningful analysis to understand need and inform outcomes, redesigning service delivery around those outcomes, reviewing the performance of current services, consideration of alternative delivery models or ensuring our third party spend and related markets is appropriately managed.</p>

	<p>Although Commissioning capability and capacity will not specifically feature in the new change programme, some elements will:</p> <ul style="list-style-type: none"> <li>• Data Analysis to Understand Needs will feature as part of the Digital programme</li> <li>• A programme of Service Reviews will be performed across all Directorates building on work previously undertaken which will also consider third party spend arrangements and consideration of alternative delivery models</li> </ul>
<p><b>Relevant Costs and Decision Making</b></p> <p>Internal function activities and performance needs to be accounted for more transparently within the corporate whole. This includes ensuring greater cost awareness in business decisions, such as projects with greater accountability and transparency of charges and costs.</p>	<p>Work is progressing to improve cost awareness in projects, with the support of finance staff.</p> <p>There is a need to ensure that there is strong knowledge transfer from both internal managers involved in project support and from the external organisations that we work with.</p>
<p><b>Partnership / Collaborative Governance</b></p> <p>The level of governance, assurance and reporting required for the Council's partnership and collaborative activities needs to be more fully determined and defined to ensure a consistent and proportionate approach is applied.</p>	<p>The required governance arrangements across key partnership and organisational development activity are being developed and considered by the corporate SMT / PSB.</p> <p>The Council is involved in a vast number of partnership and collaborative working arrangements across its functions, and whilst some governance arrangements are strong, such as the Glamorgan Archives Joint Committee, other collaborative arrangements are much smaller in scope and have little or no decision making capabilities, for which governance processes are less well defined.</p>

	<p>Further work will be progressed through the design of the Council's new change programme, as there will be clear interdependencies between, and co-delivery with, the work of the Council's partners.</p>
<p><b>Robust and Sustainable Savings</b></p> <p>There is a need to ensure robust business cases consistently underpin achievable savings proposals. In ensuring decisions encompass future generation needs there is also a need to ensure there is documented consideration of the sustainability of services and the mitigation of risks (e.g. assets, technology, HR and service delivery).</p>	<p>Work is ongoing to ensure that detailed business cases, which include strong supportive financial and non-financial information, consistently underpin all savings proposals.</p> <p>An enhanced risk review was completed for capital funding requests for 2018/19 onwards to improve the supporting information provided as part of the decision making process. Further work is underway to consider and refine the appropriate level and breadth of risk information and analysis required to support decision makers.</p>

Mae'r dudalen hon yn wag yn fwriadol

**Draft Code of Corporate Governance**

**AGENDA ITEM: 7.3**

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**Reason for Report**

1. The Council is taking the opportunity to regularise its governance arrangements by putting in place a Code of Corporate Governance.
2. In line with the Audit Committee's Terms of Reference the Draft Code of Corporate Governance is being brought forward as part of the consultation

**Background**

3. There are a number of documents and processes that set out the governance arrangements of the Council. These include the Constitution, Financial Procedure Rules, and performance frameworks. However, it is considered good practice to have an overarching document that details these arrangements and the draft Code of Corporate Governance provides an opportunity to reaffirm how the governance framework of the Council operates.
4. The Code of Corporate Governance is based on the seven good governance principles developed by the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society of Local authority Chief Executives (SOLACE) in their publication 'Delivering Good Governance in Local Government framework 2016'. The Code has been developed to ensure that the Council has clarity on how to apply, assess and use a governance assessment for reporting and making improvements to the Council.
5. In developing the Code there has been the opportunity to embrace several strands of current activity that form part of the Council's governance that had previously e.g. the Annual Governance Statement, which sits alongside the Statement of Accounts, and the introduction of a more 'enterprise' based risk management approach.

**Issues**

6. To ensure that the Code is not purely a statement but is a benchmark that can be used to promote understanding and engagement in one of the key strands of local government. In order to achieve this the Code has been developed in three parts:
  - How we apply the principles of good governance
  - How we assess governance in Cardiff Council
  - How we use our governance assessment

7. Part 1 set out the seven good governance principles, and dealing with each in turn includes a statement of intent and an explanation of how the principle is applied in the Council.
8. Part 2 sets out the approach to gathering together the relevant information upon which to reach a corporate position of the health of governance in the Council. The output of this is the Annual Governance Statement (AGS) which itself comprises of three elements:
  - Assurance statements from Senior Management, the Internal Audit Manager and yourselves as the Audit Committee
  - Significant Governance issues raised through the review
  - Supporting information mapped to the seven good governance principles
9. Part 3 sets out how the output of these are used to make any necessary improvements as a result of the assessment, to track these improvements, and ensure that functions of assurance have regard when undertaking assessments.

### **Legal Implications**

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

### **Financial Implications**

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

### **Recommendation**

12. The Audit Committee considers the draft Code of Corporate Governance and, subject to comments, recommends to the Constitution Committee and full Council to agree the Code and to include it in the Constitution.

### **DAVINA FIORE**

**Director of Legal, Governance and Monitoring Officer**

The following Appendix is attached:

**Appendix A – DRAFT Code of Corporate Governance**

**Cardiff Council**  
**Code of Corporate Governance.**

**Introduction**

The Council has formalised a Code of Corporate Governance. This Governance Framework has adopted the seven good governance principles developed by the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) 'Delivering Good Governance in Local Government Framework 2016'.

The CIPFA / SOLACE framework principles of good governance form the basis of how we apply, assess and use our governance assessment for reporting and improvement purposes. The CIPFA / SOLACE framework utilises the International Framework definition of governance, as follows:

*Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.*

**Purpose**

The Council is committed to effective governance as a means to delivering better stakeholder outcomes in an open approach which inspires confidence and trust.

This Code of Corporate Governance sets out:

- How the governance framework in which the Council operates
- How the annual assessment of governance is made using this framework
- How annual governance assessments will be used for to deliver improvement

The annual assessment meets the requirements Accounts and Audit (Wales) Regulations 2014.

**Good governance Principles**

The Framework comprises two core principles and five supporting principles. Principles A and B run through the 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 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 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.

**The Code of Corporate Governance for Cardiff Council is separated into three parts.**

1. [How we apply the principles of good governance](#)
2. [How we assess governance in Cardiff Council](#)
3. [How we use our governance assessment](#)

### **Part 1**

#### **How we apply the principles of good governance**

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

The Council has a strong commitment to integrity, ethical values and the law, and the Council's Corporate Values, Constitution and supporting policies and procedures centre on achieving this core governance principle.

We apply this core principle through the following:

- We maintain Corporate Values to guide our workforce and to communicate expectations to our stakeholders on conduct and behaviour.
- Our Members and officers are required to comply fully with Codes of Conduct as set out in the Constitution.
- We hold formal rules of procedure covering Cabinet, Committee, and officer responsibilities as set out in the Constitution.
- Induction and training processes are in place for all officers and Members to ensure awareness and understanding on a range of policies, procedures and regulations.



- The Section 151 Officer has overall responsibility for the financial administration of the Council.
- The Monitoring Officer has overall responsibility for ensuring that the Council, its Officers, and its Elected Councillors, maintain the highest standards of conduct
- The Standards and Ethics Committee monitors and scrutinises the ethical standards of the Authority, its Members, employees and any associated providers of the Authority's services.
- The Council has a Whistleblowing Policy through which staff and contractors are encouraged to speak out on misconduct or illegal behaviour within the organisation, which affects the public or other people (making a disclosure in the public interest).

## **B: Ensuring openness and comprehensive stakeholder engagement**

The Council recognises that there is a need for openness about our activities as well as having clear channels for communicating and engaging with all stakeholders. We hold many public meetings, which are increasingly available via webcast, and opportunities are given to engage in the difficult choices being made by the Council, with increasing amounts of data published.

We apply this core principle through the following.

- We have open mechanisms for consultation, engagement and joint working with employees, citizens, communities and partners.
- 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.
- We publish increasing amounts of data, with a focus on making it more easily accessible and available to the public.
- 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 the opportunity for public questions, and the Council's Scrutiny Committees invite stakeholder contributions to their scrutiny programme.
- 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.

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

The Cabinet has published its vision, outcomes and priorities which underpin the corporate planning, performance management and risk management frameworks. There are formal and informal networks of officers, members, partners and stakeholders which contribute to delivering our outcomes.

We apply this principle through the following.

- We have a corporate planning process which focusses its approach on the delivery of Cabinet priorities and improvement objectives.
- Our performance and risk management frameworks focus on measuring, monitoring and reporting on the key measures of effective delivery of corporate outcomes and priorities.
- Our rolling three year Organisational Development Programme focusses on the delivery of strategic change and the re-shaping of services.
- We set a deliverable Budget Strategy for meeting the changes we must make to the shape of the organisation in order for it to remain operational and resilient.
- We are a partner in the Cardiff Capital Region (CCR) City Deal which aims to enhance development, infrastructure, land use, economic development and employment.
- We are a partner in the Public Service Board, which aims to improve economic, social, environmental and cultural well-being through stronger partnership working.
- We carry out equality impact assessments and consider implications on budget proposals, cabinet reports etc, and it forms part of either/both our ethical values or social outcomes.

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

The Council takes action to identify the key risks to the delivery of our outcomes and to understand the areas where we need to develop and evolve. Our financial planning and monitoring arrangements are built on prudence and resilience, with strong performance and risk management arrangements supporting outcome delivery.

We apply this principle through the following.

- We systematically engage and consult with internal and external stakeholders on the services delivered and proposals for change.
- Our performance and risk management frameworks are aligned to the delivery of corporate priorities and outcomes.
- Our decision makers are well informed of the implications of proposals through business cases and reports.
- Financial planning arrangements use forecasting and risk assessments for prudent financial management and long term resilience.
- Business continuity and disaster recovery arrangements operate across Council services and functions.

**E: Developing the capacity of the Council including the capability of its leadership and the individuals within it.**

The Council takes action to develop and retain a management structure that provides leadership and enables staff to work effectively and efficiently in delivering Council objectives.

We apply this principle through the following.

- We have set out decision making responsibilities and authority in the Council's Constitution.
- As a member-led authority, there is a commitment and focus on delivering strong leadership.
- Our Chief Executive (Head of Paid Service) is the most senior member of staff and leads responsibility for overall management and for the Senior Management Team.
- Our Cabinet is the part of the Council which takes responsibility for major decisions, and comprises the Leader and up to nine other Councillors, approved by Council.
- We communicate our values, objectives, policies and procedures to new staff and existing staff and Members through induction and engagement programmes.
- We have strategies to meet the learning and development needs of staff and Members.

- We hold personal performance reviews to support individual learning and development needs, and to align performance measures to Council outcomes and priorities.

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

The Council takes action to manage risks and performance in order to deliver efficient and effective services. We understand that strong risk management, internal control and financial management are essential for us to achieve our objectives and we have put appropriate arrangements in place.

We apply this principle through the following.

- We incorporate risk management into strategic decision making, as a key element of business planning, budget setting and programme and project management.
- We maintain risk and performance management frameworks which cover all key business activities and functions which are supported by lead officers and networks.
- We escalate and report risks to Members and senior managers on a quarterly basis through application of our risk management framework.
- We report to Members and senior managers on performance information, against performance indicators which are aligned to corporate plan priorities.
- Our Audit Committee provides assurance on our governance, risk management, and internal control arrangements through a wide ranging programme of work.
- Our Scrutiny Committees are designed to support the cabinet in providing accessible, efficient and effective services for citizens.
- We maintain arrangements to safeguard personal data with governance arrangements led by our Senior Information Risk Owner.

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

The Council takes steps to carry out its activities in an open manner and to ensure that those making decisions and delivering services are answerable for them. We communicate our plans and enable stakeholders to respond to them.

We apply this principle through the following.

- We report to the public and other stakeholders in a fair, balanced and understandable way.
- We have adopted the Information Commissioner's model publication scheme, and make appropriate information routinely available.
- Our Directors have overall accountability for reviewing the effectiveness of their governance, risk management and internal control arrangements, and completing an assurance statement twice a year.
- Our Senior Management Team are accountable identifying, managing and reporting on the Council's significant governance issues.
- Our internal audit service provides independent assurance on the governance, risk management and control.
- We publish our corporate risk register and corporate performance information on a quarterly basis.

## Part 2

### **How we assess governance in Cardiff Council**

We assess governance against each of the core and supporting governance principles as outlined above on an annual basis. This formal annual review of our governance arrangements results in the production of an Annual Governance Statement which we include as part of our financial statements each year. A diagram of the key components of the Annual Governance Statement is included in [Figure 1](#).

The Annual Governance Statement comprises three elements:

1. **Assurance Statements** from Senior Management, the Internal Audit Manager and the Audit Committee;
2. **Significant Governance Issues** identified by Senior Management in their review;
3. **Supporting Information** and evidence mapped to the core and supporting good governance principles.

These three elements when taken together represent the assessment of governance, from the perspectives of the Senior Management Team (SMT) the Internal Audit Manager and the Audit Committee.

## Assurance Statements

- A self-assessment exercise is undertaken by each director and their senior management teams through which governance maturity is measured against 9 assurance categories as included in [Figure 1](#). This results in a Senior Management Assurance Statement being completed by each Director for their areas of responsibility. The results of each assurance statement are reviewed collectively by the Senior Management Team, following engagement with review / assurance support teams where applicable. This results in an overall Corporate Senior Management Assurance Statement from the Senior Management Team, which is included in the Annual Governance Statement.
- The Internal Audit Manager and Audit Committee Assurance Statements are independent assessments of the internal control environment. The Audit Committee's assessment is informed through the delivery of its terms of reference, with the Audit Manager opinion based on application of the Public Sector Internal Audit Standards. Both assurance statements are included within the Annual Governance Statement.

## Significant Governance Issues

- As part of the senior management self-assessment process, Directors are required to review any significant governance issues which have impacted upon the assurances they, or the Council can give overall.
- The Action Plan of Significant Governance Issues is an open disclosure from the Senior Management Team of the significant governance issues affecting the organisation as summary actions to take forward and address.
- This Action Plan is held and owned by the Senior Management Team, and is used to inform risk management, business planning and internal control arrangements.

## Supporting Information

- The Annual Governance Statement includes supporting information which has been mapped to the governance framework principles within the AGS. This is based on officer engagement and a review of correspondence and minutes of the Council, Cabinet and Committees of the Council. It is through this review and the Senior Management Assurance Statements that the external audit and regulatory assurance is captured and documented within the Annual Governance Statement.

## **Part 3**

### **How we use our governance assessment**

We use our governance assessment to publish an annual governance statement in our Statement of Accounts each financial year.

In addition to this formal disclosure, we use the outputs of our governance assessment to inform and make improvements to our risk management, business planning and internal control arrangements. This process is summarised in a process diagram in [Figure 2](#).

### Risk management

- The assurance statements and the action plan of significant governance issues are reviewed for risk management purposes.
- The assurance statements are reviewed by the risk management team whilst also being used to target improvements in directorates, where required.
- The significant governance issues are used to identify any new or emerging risks and to challenge understanding of existing risks and the sufficiency of current mitigating actions.

### Business planning,

- The assurance statements and the action plan of significant governance issues are considered in directorate and corporate reviews and as part of the business planning process
- Business planning arrangements aim to ensure that recognised governance strengths are maintained and enhanced, and areas for improvement are targeted.

### Internal control.

- The assurance statements and the action plan of significant governance issues are reviewed within directorates themselves, with a view to enhancing internal controls where required.
- The Internal Audit function uses the assurance statements and the action plan to inform its risk-based audit plan, through gaining assurances where this is possible and reviewing identified governance issues and risks.

Figure 1. Annual Governance Assessment

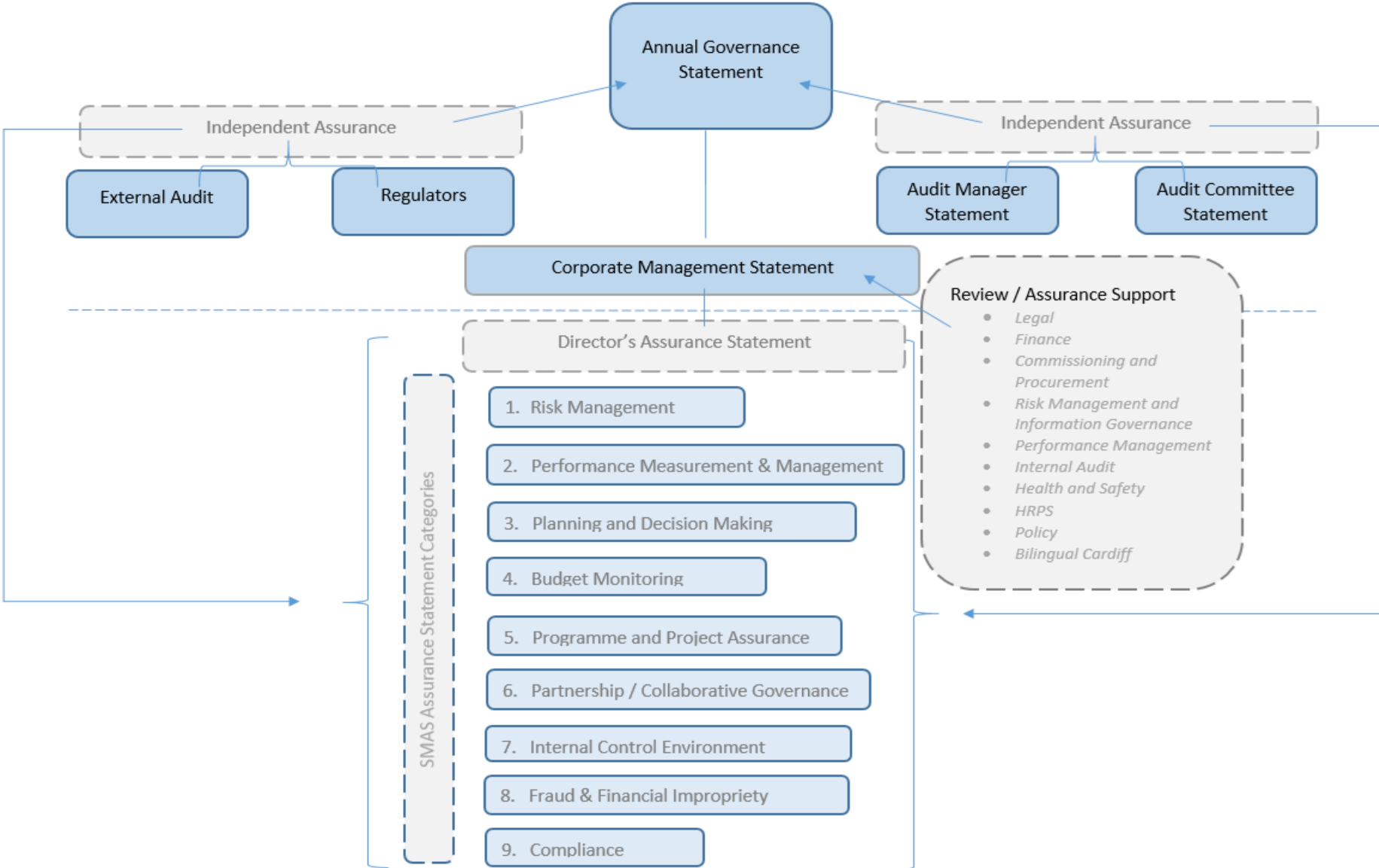
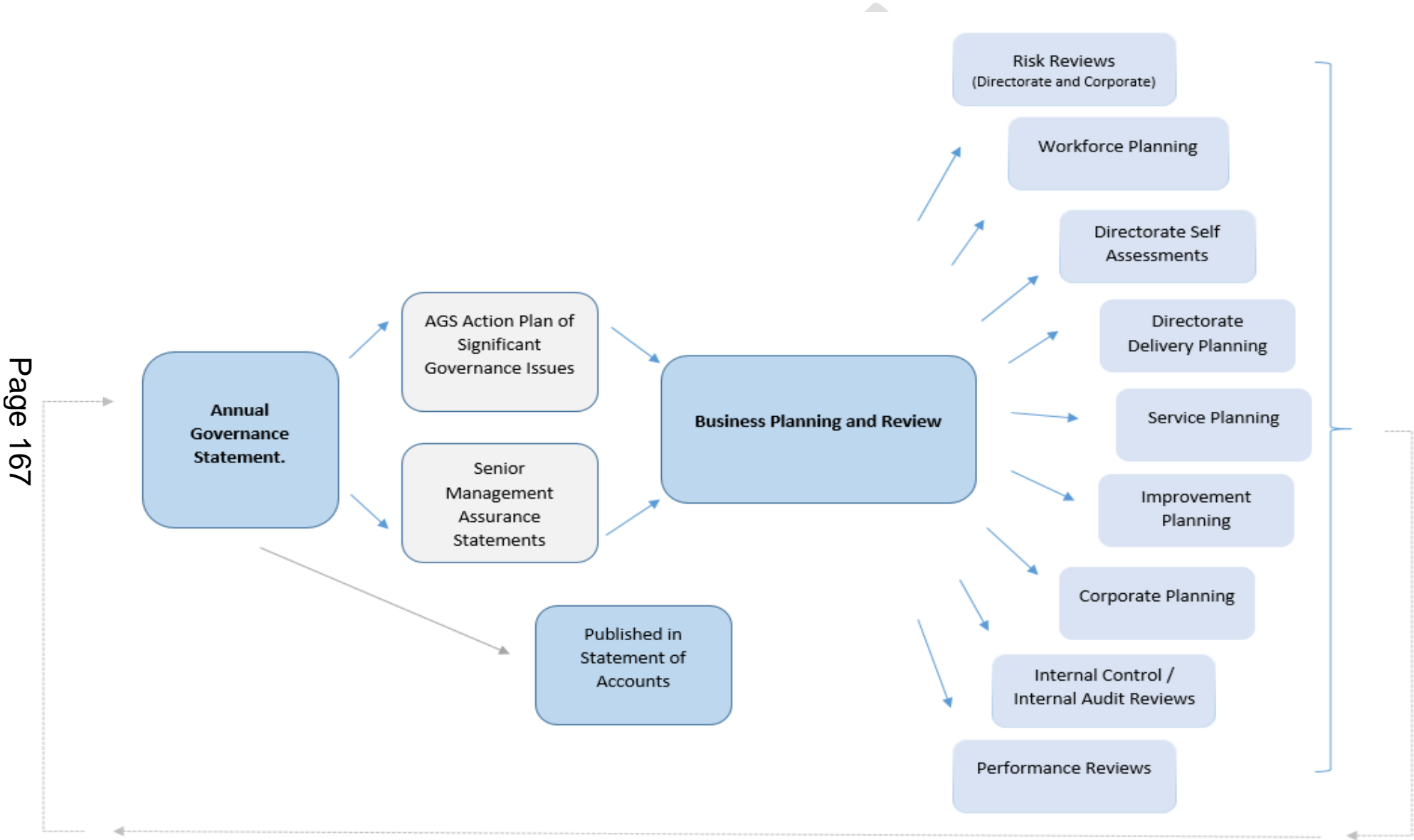




Figure 2. How Cardiff Council uses its Annual Governance Assessment



Mae'r dudalen hon yn wag yn fwriadol

## **Draft Risk Management Strategy and Policy**

### **AGENDA ITEM: 7.4**

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#### **Reason for Report**

1. The Council has in place a Risk Management Policy, Strategy and Methodology which was approved in 2014. The approach to Risk Management has been reviewed during 2017 and a revised Draft Strategy and Policy has been produced with a view to implementation in April 2018.
2. The Audit Committee's Terms of Reference is to review the adequacy and effectiveness of the Council's framework of risk management and therefore needs to consider the Draft Risk Management Strategy and Policy.

#### **Background**

3. Risk Management is a key component of corporate governance in maintaining a strong control environment. Risk management can help to prioritise attention and ensure considered decision making (e.g. investment, divestment, insurance, methods of delivery) in times of continued resource constraints.
4. The Council's rejuvenated approach to Risk Management has been a collaborative and engaging process. The approach takes into account the requirements of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework as well as the views of the Council's Risk Management Champions, Senior Management Team, and the Cabinet Member for Finance, Modernisation and Performance, as well as feedback from AON Risk Solutions (the Council's Insurance Brokers).
5. The Audit Committee has received a number of updates in relation to the piloting of new risk management processes designed to improve understanding of how to identify, manage and report risk, which now feature within the Draft Strategy and Policy.

#### **Issues**

6. The revised approach seeks to set out a sustainable approach to risk management by moving towards an 'enterprise-wide risk appetite' designed to enable the delivery of innovation and change with effective governance and stewardship. The policy framework will support the delivery of organisational change over the medium and longer term whilst embedding the Council's risk aware philosophy into actions, activities and thinking. This has been achieved through the development of a document that contains two elements – our strategy, and our policy

7. The Draft Risk Management Strategy sets out the Council's aims relating to the management of risk for the following benefits:
- Support delivery of the corporate vision, priorities, objectives and values
  - Ensure that statutory obligations and policy objectives are met
  - Safeguard all stakeholders to whom the Council has a duty of care
  - Protect physical and information assets and identify and management potential liabilities
  - Ensure effective stewardship of public funds, efficient deployment and use of resources and achievement of value for money
  - Learn from previous threats opportunities, successes and failures
  - Preserve and promote the reputation of the Council
8. The Draft Risk Management Policy sets out:-
- A statement setting out the Council's Risk Appetite at an upper limit of 'Open' for strategic, service delivery and financial risk perspectives; and 'Cautious' at an upper limit for legal and regulatory, and reputational risk perspectives
  - Key principles of Risk Appetite to help clarify options available, the risks that can be accepted and those which need to be reduced or avoided
  - Improved guidance of risk identification
  - Improved risk analysis through the introduction of a 4 x 5 likelihood and impact matrix
  - Improved risk reporting and escalation processes the detail of which has been discussed previously at Audit Committee
  - Improved risk response for 'threat' (negative) and 'opportunity' (positive) risk
  - Improved monitoring and review linking to improved accountability the detail of which has been discussed previously at Audit Committee

### **Legal Implications**

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

### **Financial Implications**

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

### **Recommendation**

11. The Audit Committee considers the draft Risk Management Strategy and Policy and provides comments, if appropriate in advance of the final version being approved for implementation by Cabinet.

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

The following Appendix is attached:

**Appendix A – DRAFT Risk Management Strategy and Policy**



# Risk Management

## Strategy and Policy



Gweithio dros Gaerdydd, gweithio gyda'n gilydd  
Working for Cardiff, working together

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## **Our Strategy**

### **Foreword by Paul Orders, Chief Executive**

To be Drafted

### **Foreword by Christopher Weaver, Cabinet Member for Finance, Modernisation and Performance.**

To be Drafted

## **What are we trying to achieve?**

Cardiff Council is committed to a proactive approach to risk management which is integrated into the policy framework, planning and budgeting cycles. The Risk Management Strategy and the associated Policy outlines the framework, responsibilities and accountabilities for the systematic and consistent management of risk through Council, partnership and collaborative activities.

The Council recognises the value of maintaining and enhancing an effective risk management culture to identify, analyse, manage and control the risks it faces. The Council acknowledges that risk cannot be totally eliminated and may at times need to be embraced as part of an innovative approach to problem solving and achieving best value.

## **Aims**

The Council is committed to the management of risk in order to:

- Support delivery of the corporate vision, priorities, objectives and values
- Ensure that statutory obligations and policy objectives are met
- Safeguard all stakeholders to whom the Council has a duty of care
- Protect physical and information assets and identify and manage potential liabilities
- Ensure effective stewardship of public funds, efficient deployment and use of resources and achievement of value for money
- Learn from previous threats, opportunities, successes and failures
- Preserve and promote the reputation of the Council

The aims will be addressed by systematically identifying, analysing, cost effectively controlling and monitoring risks at strategic, programme, project, and operational levels.

## **Objectives**

The Risk Management Strategy seeks to:

- Outline the scope of risk management
- Integrate and embed risk management into the culture of the Council
- Assign risk management roles, responsibilities and accountability
- Ensure risk awareness and proportionate and consistent management of risk
- Prevent injury, damage, breaches and losses
- Enhance realisation of opportunities and resulting benefits

The aims and objectives will be achieved by:

- Training and developing relevant managers, officers and members.
- Timely risk identification, reporting, ownership and oversight.
- Application of risk management in business planning, decision making, programme, project, partnership and collaborative activities.



## What is Risk Management?

### Risk definition

**Risk** is the “**effect of uncertainty on objectives**” (ISO 31000)

An **effect** is a positive or negative deviation from what is expected.

### Risk management

Risk management is the process followed to control the level of risk in business and service activities which could impact on their achievement of our objectives and the delivery of our key priorities.

### Why do we manage risk?

Risk management is a key component of corporate governance in maintaining a strong control environment. It can help prioritise attention and ensure considered decision making (e.g. investment, divestment, insurance, methods of delivery) in times of continued resource constraints. It should be used as an integral part of core business processes such as business planning, budgeting and performance review processes.

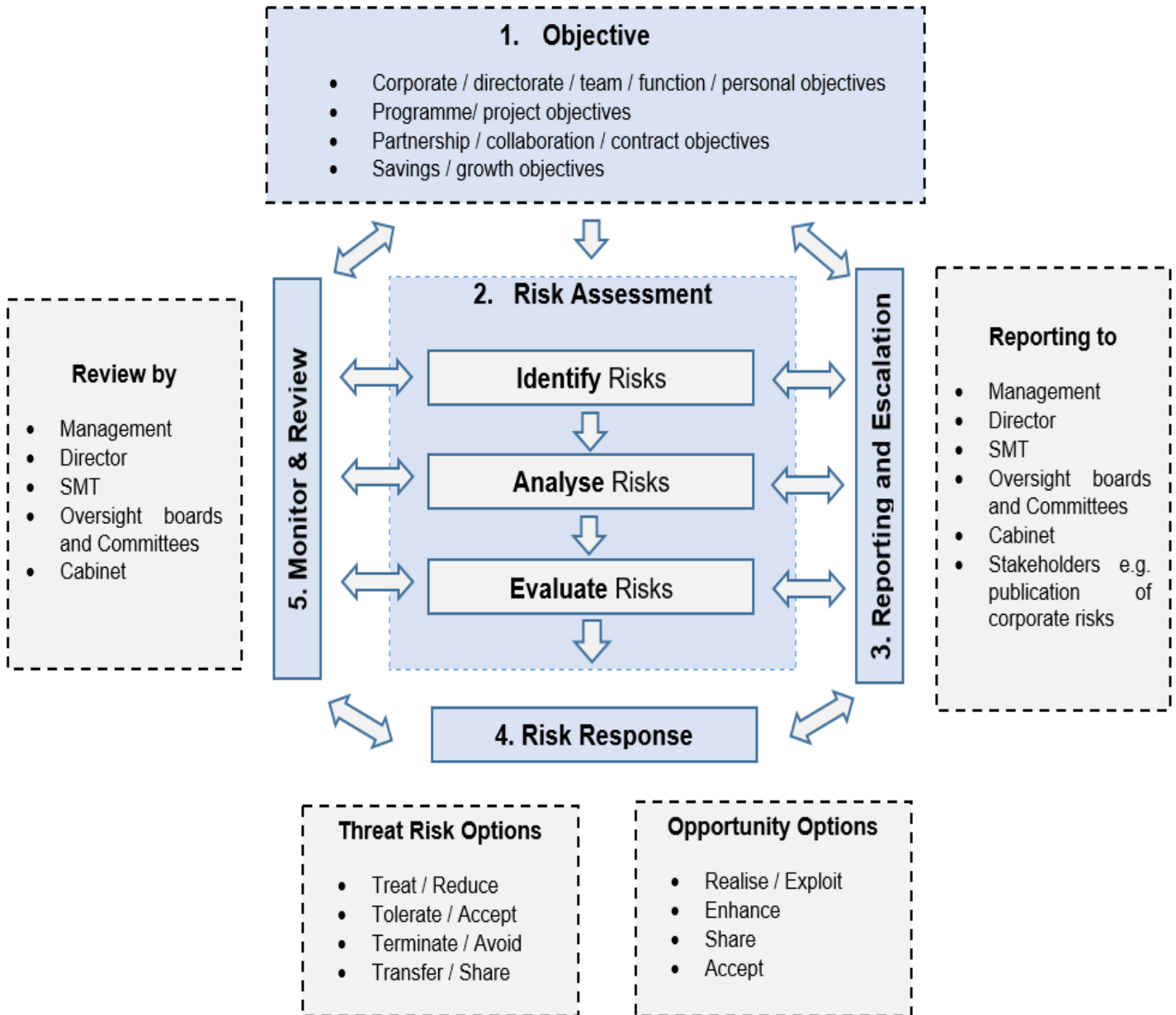
Improved efficiency of operations	Better delivery of intended outcomes	Maximises Opportunities
Protected reputation of the Council	Supports the achievement of the Council’s objectives	Reduced losses arising from workplace accidents & illnesses
Better mitigation of key risks	Demonstrates good governance	Enhanced political and community support
Protection of budgets from unexpected financial losses or Increased ability to secure funding	Increased effectiveness of business change programmes and projects	Protection of Council Assets
Fewer unwelcome surprises	Improved management information to inform decision making	Improved planning

### Where to apply risk management?

- Include risk assessments in decision making reports
- Maintain risk registers for all functions, partnerships, contracts, programmes and projects
- Escalate risks in accordance with the Council’s risk escalation process
- Include risk accountabilities for measures and actions in performance reviews
- Filter any positive deviations (opportunities) into business planning processes.
- Programme and project planning and management
- Savings and growth proposals
- Review and benchmark your functions (internal and external environment)

# Risk Management Process

A systematic approach to risk management is followed in the Council through which objectives are set and risks are identified, analysed and evaluated. Risks are reported in accordance with a defined risk escalation process, with a proportionate risk response required to manage risks within the Council's risk appetite. The risk management review process is as follows.



Based on ISO 31000

The standard approach is to report and escalate risks on a quarterly basis. However, risk management in Cardiff Council is a dynamic 'live' process and officers and members are encouraged to report and escalate significant risks as frequently as required, thereby fast tracking the typical quarterly reporting cycle where merited. An incident management process is also in place to manage time critical risks 24 hours a day.

Fundamental to the level of risk response is a concept known as **risk appetite**. This will determine the level and extent of action that is required in order to manage risks to a level that is proportionate and acceptable to the Council.

## Risk Appetite

### Risk appetite definition

*'The level of risk that the Council and its leadership team are willing to take on, accept, tolerate or be exposed to in pursuit of Council objectives.'*

### Why define a risk appetite?

Our risk appetite should clarify the options available to us, the risks that we can take and those which we need to avoid or reduce as a priority.

A risk appetite has been formalised in this policy to provide clear guidance to all officers, managers, members and partners on the level of risk which can be accepted. It should be used to ensure consistency in, and accountability for:

- The reporting and management of existing or emerging risks
- The extent of governance arrangements and controls required
- Assessments of the suitability of proposals (savings, strategies, policies etc.)

### Risk appetite levels

The Council uses the following definitions of risk appetite levels. At each level there is a *balance between risk and reward*, with 'hungry' risk appetite offering the highest risk and reward and 'averse' offering the lowest.

- ❖ **Hungry** - Where we seek out innovative delivery options and choose options offering the highest reward despite significant risks which are not able to be managed. Activities themselves may potentially carry, or contribute to, a high (red) residual risk.
- ❖ **Open** - Where we consider all potential delivery options, seek greater reward, are aware of the risks and can put in place actions to moderate these risks. Activities themselves may potentially carry, or contribute to, a moderate / high residual risk.
- ❖ **Cautious** - Where we seek to deliver safe options with a low degree of risk and limited reward. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
- ❖ **Minimalist** - Where we seek to deliver very safe options with a low degree of risk which will return a very limited reward. Potential for reward / pursuit of opportunity is not a key decision driver.
- ❖ **Averse** - Where we focus on avoiding risk & uncertainty. Activities undertaken will be those considered to carry virtually no inherent risk.

The Council's risk matrix is used to measure the likelihood and impact of potential risk events. The methodology is explained fully as part of Stage 2 (Risk Assessment) of the risk management cycle in this policy.

## Risk Appetite Statement

We are **not averse** to taking risks, and our approach is based on judgement of the circumstances of each potential risk and an assessment of its impact. This means:

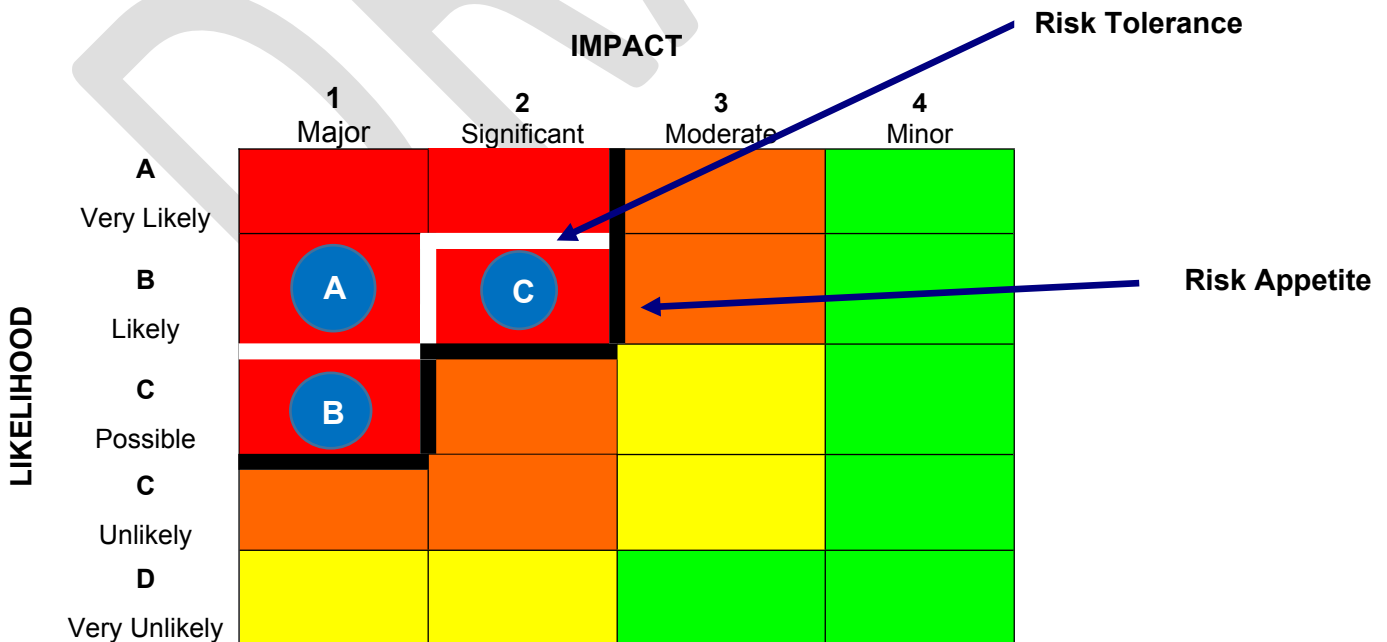
- When we review existing or emerging risks we intervene to the extent necessary to manage risks within appetite.
- In making new decisions we ensure any risk exposure is within the same common risk appetite boundaries.

### i. Overall Risk Appetite and Risk Tolerance

At a summary level, we have established the broad levels of residual risk which may be accepted or tolerated for overall general application, monitoring and control.

The Council’s overall broad risk appetite is displayed in the risk matrix below, whereby:

- Risks which appear above the bold black risk appetite line (such as risks ‘A’) are deemed to be unacceptable by the Council and will require further action to be taken to manage them to an area where exposures are sufficiently reduced.
- Risks below the bold white risk tolerance line, but above the bold black risk appetite line (such as risks ‘B’ and ‘C’) are deemed undesirable but may nevertheless be acceptable under current conditions and constraints.
- The determination of acceptability of risks and the extent and urgency of mitigation required is based on the following detailed risk appetite.



### Key Principles

1. Considering overall risk appetite and tolerance levels is useful as a starting point
2. **An assessment against the 'Detailed Risk Appetite' must be made before making any decisions** on risk acceptance, or the required mitigations

## **ii. Detailed Risk Appetite**

An overall corporate risk appetite has been set as a guiding principle for all residual risks as it is rare for a significant risk facing the Council to be purely composed of just one type of risk, or to impact upon only one directorate. The Council's large-scale and significant risks are interrelated, and often form part of a wider collection or cluster of risks.

Whilst an awareness of risk interdependencies is important, the Council has set a greater risk appetite for some areas than others and this needs to be applied in any risk analysis and decision making.

**All risk assessments must be made against five standardised perspectives/lenses which each have a distinct risk appetite as follows:**

- 'Open' risk appetite – not to be exceeded for strategic, service delivery and financial risks.
- 'Cautious' risk appetite - not to be exceeded for legal and regulatory and reputational risks.

The extent of risk acceptance and the urgency and extent of mitigation required must be a product of the risk assessment against the five risk perspectives and the risk appetites set.

### The Council's approved Risk Appetite

- ✓ **'Open'** risk appetite is acceptable as an upper risk limit (boundary) for
  - **Strategic Risk**
  - **Service Delivery Risk**
  - **Financial Risk.**
- ✓ **'Cautious'** risk appetite is acceptable as an upper risk limit (boundary) for
  - **Legal and Regulatory Risk**
  - **Reputational Risk.**

## Risk Perspectives:

### **1. Strategic Risk**

The consequences of strategic decisions, or the failure to achieve our strategic vision.

### **2. Financial Risk**

Risk to the Council's balance sheet, assets and liabilities, funding, income and spending levels.

### **3. Service Delivery Risk**

Risks to the effective and efficient delivery of Council services and business continuity.

### **4. Legal & Regulatory Risk**

Risks of breaching the law, legal action, losses, fines and other sanctions arising from non-compliance with laws and regulations.

### **5. Reputational Risk**

Risks of adverse or damaging perception of the Council by the general public and Cardiff residents.

## **iii. Application of Risk Appetite**

In recognising the diversity of the Council's functions and operating environments, the Council's risk appetite is designed to enable delivery of effective innovation and change within clear boundaries to ensure strong governance and stewardship.

A key principle is of accountability. Whilst the opportunities for well managed risk-taking have been formally established, those providing risk information to support decision makers are responsible for robust risk assessments and clear communication of decision-related risk. In turn, decision makers are responsible for approving decisions with full consideration of the associated risks in accordance with the Council's risk appetite.

- ✓ Risk appetite should not be applied as a rigid target, but as a level of risk that we are willing to take if supported by a strong consideration of financial and non-financial costs, benefits and risks.
- ✓ A risk appetite decision making guide has been produced in figure 1. It should be used to communicate the risk associated with decisions, and ensure the Council's risk appetite is not exceeded.
- ✗ It is not acceptable to make decisions which exceed the risk appetite, or to fail to effectively measure and manage new or existing risks.

## **iv. Approach to Risk Appetite**

The remainder of this strategy outlines how risks should be identified, assessed, managed and monitored through the different activities and functions of the Council in order to meet the overarching risk appetite requirements.

This is to ensure that:

- Risk registers are widely used to ensure risk appetite is not systematically breached and that all risk are managed with risk tolerance.
- When making decisions, there is a strong awareness of the opportunities available for taking risk, together with the accountabilities for managing any risk exposures.

The risk reporting and escalation processes (as outlined in stage 3 of our risk management methodology), reflect the levels of risk appetite delegated to the Senior Management Team, individual Directors and Managers.

The Risk Appetite Decision Matrix (**Figure 1**) outlines the principles and characteristics demonstrated at different risk appetites, and should be used as the Council's common frame of reference when assessing and communicating risk appetite.

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## Risk Management Methodology

### Stage 1 - Objectives

The first stage in the risk management cycle is to establish the context and objectives upon which our risk management will relate. This is an essential element of the process, as if we do not know the context we cannot meaningfully begin to measure, manage and report upon the risks.

Our objectives should stem from our corporate priorities as outlined in the corporate plan. Through this mechanism we measure risks related to:

- Corporate / directorate / team / function / personal objectives
- Programme/ project objectives
- Partnership / collaboration / contract objectives
- Savings / growth objectives

### Stage 2 - Risk Assessment

A systematic and consistent approach to identifying and analysing risks should be an integral part of all key management processes and decision making. The Council's risk management approach, involves continuous processes to **identify, analyse** and **evaluate** risk.

The process of identifying, analysing and responding to risks should be ongoing and not seen as a one off systematic review activity. Some of the core questions we should be constantly considering are as follows:

- ▶ What risks are there to our objectives over the next 12 months, and over the medium term, how significant are these risks and can we tackle / exploit them?
- ▶ How resilient are our functions to mitigate and respond to the risk events we have seen elsewhere?
- ▶ What have we learned from risk events within and outside our organisation?
- ▶ Are existing risks still relevant and focussed or have they changed or evolved?
- ▶ Are there any key risks missing risks in the register(s) and business plans?



# 1. Risk Identification

Risk identification involves gaining a clear understanding of the opportunities and threats to corporate or directorate objectives. It should enable us to gain important insight into what is causing a particular risk and how it could impact on the Council.

It is important to have all of the facts before we make decisions regarding business strategy, growth, investment, resilience, divestment and savings. Taking the time and effort to develop strong and timely risk awareness and intelligence can pay dividends in ensuring business decisions and actions are made in the best strategic and operational interests of the organisation.

There are a range of methods which can be used to identify risks, but the most important tool is to build a risk identification and reporting philosophy into the culture and operation of the workforce. Cardiff Council has a strong risk management network in place to help to embed this philosophy.

A selection of risk identification methods are included below for reference, but the list is by no means exhaustive:

- SWOT, PESTLE analysis etc.
- Analysis of previous losses, events and incidents both internal and external to the organisation and sector
- lessons learned reviews
- Technical briefings, national reports, networking and best practice
- Process reviews and observation
- Documentation and data analysis
- Horizon scanning and benchmarking
- Interviews, questionnaires and surveys with managers / officers / stakeholders
- Risk identification workshops
- Root Cause Analysis (e.g. '5 Why's' and 'Fishbone Diagram' techniques)
- Encouraging a risk identification and reporting philosophy

We must take the opportunity to learn from risk events both within and outside of our organisation and to take the time to identify the reasons why these events took place, and reconsider our own defences and current risk management approach.

Further preparation should include analysing current performance data; collating results from independent reviews (e.g. Internal Audit, Health and Safety Executive, Wales Audit Office, National Assembly for Wales) reviewing complaints data, insurance claim details, fraud history etc.

## *i. Areas of Review*

In order to ensure a wide risk assessment is undertaken, risk assessments must be made against our 5 risk perspectives as follows, and in line with our approved risk appetite.

1. Strategic Risk	2. Financial Risk	3. Service Delivery Risk
4. Legal & Regulatory Risk	5. Reputational Risk	

In considering these risks we must also consider the range of risks which could be of an internal or external nature.

- **Internal Risks** – are risks which we should have the ability to manage through internal controls and, where necessary, additional mitigating actions.  
*Examples include fraud, health and safety, capacity and capability, data security and contractor / partner risks.*
- **External (Event Driven) Risks** – are considered to be external events / perils for which we need to ensure that the Council is resilient. Our business continuity and emergency management arrangements provide the common framework for managing risk events of this nature.  
*Examples include, economic downturns, terrorist attacks, extreme weather and cyber-attacks.*

### Risk Identification Workshop – Process Flow Example

1. List the functions you perform and the objectives in place.
2. Identify what success looks like (consider use of benchmarking / best practice models).
3. List the factors which may prohibit or reduce the ability to deliver the function or to achieve an objective (i.e. SWOT, PESTLE analysis – explained below).
4. Check the list to ensure it contains a full range of financial and non-financial risk factors and has included each **Risk Perspective**.
5. Now consider potential opportunities using the first 4 steps.
6. Document the risks identified in an initial risk register.
7. Review existing risk registers and existing strategies, programmes, projects and actions and consider if risks are being addressed.
8. Determine if existing programmes, projects and business actions need to be updated, re-framed or re-scoped, or if new activities are required.

For many managers, a new *risk identification* process will begin at the start of a new business planning cycle and will involve reviewing existing and new risks to the objectives upon which business plans are being developed. This process should involve an analysis of strengths, weaknesses, opportunities and threats through “SWOT” analysis, to provide the initial list of known risks.

A broad range of external risk factors should be taken into account using wider analysis tools such as PESTLE, which stands for Political, Economic, Social, Technological, Legal and Environmental factors. Reviews of external risk factors should already be integrated into our business planning, as we are required to deliver sustainable and long term decision making through existing legislation, such as the *Wellbeing of Future Generations (Wales) Act 2015*.

Our aim when setting and reviewing strategies and actions should be to address and exploit key business risks and opportunities. Sound risk identification is critical as an ongoing review process to avoid strategic drift and to enable focus on achieving key business objectives and the management of uncertainty (risk).

## Long Term Perspective

The Wellbeing of Future Generations (Wales) Act 2015 details the ways in which specified public bodies must work, and work together to improve the wellbeing of Wales.

Together, seven wellbeing goals and five ways of working provided by the Act are designed to support and deliver a public service that meets the needs of the present without compromising the ability of future generations to meet their own needs.

A key aspect of well-being planning is to identify and address long term risks to communities through Council and Public Service Board risk management arrangement. There is a need to identify and manage potential risks over longer term horizons, to develop preventable approaches.

The following table can be used as a guide when assessing the time horizon of potential risk events.

Short Term Risk Management	Medium Term Risk Management	Long Term Risk Management
a. Between 1 and 5 years	b. Between 5 and 20 years	c. Between 20 and 35 years

- a. Identifying threats and opportunities within the timeframe of the electoral cycle.
- b. Identifying threats and opportunities to the current generation.
- c. **Identifying threats and opportunities to future generations** (*informed by long term trends e.g. ageing population, energy security, economic resilience, food security, health and climate change, which are central to the development and infrastructural planning over the next 35 years.*)

## Partnership / Collaborative Working

There is a need for a clear strategic fit in partnership and collaborative working and agreed governance and risk management frameworks.

Once a risk framework has been agreed, the risk management process can be instigated. The principles of effective risk management will apply to any form of partnership / collaboration activity, as follows.

- Risk identification should focus on risks that may impact on the achievement of the objectives of the partnership
- All key partners should be involved
- A partnership risk register should be used to record and report this information

## ii. Risk Descriptions

It is important to ensure risk descriptions are brief but fully communicate the risk in question. The following table gives examples of wording often used to begin the process of communicating risk:

Disruption to . . . .	Exploitation of . . . .	Increase in . . . .
Loss of . . . .	Enhancement of . . . .	Lack of . . . .
Inability to . . . .	Reduction of . . . .	Realisation that . . . .
Inappropriate . . . .	Failure to . . . .	Empowerment of . . . .

It is important that we do not just report on the symptoms of risk but that we identify and manage the **risk cause**.

Risk	Example <b>threat</b> risk description	Example <b>opportunity</b> risk description
<b>Risk Cause</b>	<ul style="list-style-type: none"> <li>Uncompetitive remuneration packages and over worked staff.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing effects of the current economic climate are putting downward pressure on the price of labour and materials.</li> </ul>
<b>Risk Event</b>	<ul style="list-style-type: none"> <li>Failure to retain key employees.</li> </ul>	<ul style="list-style-type: none"> <li>Enhancement of the pricing terms with key contractors for labour / material.</li> </ul>
<b>Risk Impact</b>	<ul style="list-style-type: none"> <li>Disruptions to services, increase in temporary staffing costs, increased pressure on recruitment team.</li> </ul>	<ul style="list-style-type: none"> <li>Procurement savings, reduction in the cost of key projects.</li> </ul>

### Risk Descriptions

- If a risk description were to only include the risk event i.e. Failure to retain key employees, it would be difficult to target the controls and mitigating actions without knowing the root cause.
- By capturing the Risk Event, Risk Cause and Risk Impact the risk description will be clear to those reading the risk register of the threat or opportunity.
- Failure to achieve a particular objective is not in itself a risk and there will inevitably be a number of different risks that need to be managed in order for an objective to be achieved.
- It is important that these are assessed in order that their likelihood and impact on the business can be ascertained. The aim of this is to aid decision making and prioritisation of actions, at a time when resources are limited.

Once we have identified our risks, we need to score them by measuring the **likelihood** and **impact** of occurrence.

In the first instance we want to assess the inherent risk. This represents the level of risk before we have considered any planned 'countermeasures' and / or mitigating controls. Inherent risks generally relate to the nature of the activity involved. Certain areas of Council business will be more inherently risky, such as safeguarding children and vulnerable adults, information security and health and safety.

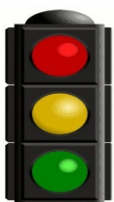
Once we have an assessment of the inherent risk we need to assess the value of our existing controls in order to arrive at a current / residual risk score.

- ▶ **Inherent risk** represents the risk in its uncontrolled state, before any current controls have been considered.
- ▶ **Residual risk** is the remaining level of risk after current risk mitigation and control measures have been taken into consideration.

The residual risk takes into account the value of the controls you already have in place to manage the risk. It is this current risk value which is used for considering what further actions are necessary and the level of reporting and escalation required.

### Risk Analysis

- It is likely that you will have a mixed impact rating from which an assessment of 'best fit' will be required for the overall risk rating. For example the impact of a risk happening may be moderate in terms of financial implications but may have a significant impact on the Council's Reputation.



To ensure a consistent approach to assessing risks a standard 4 x 5 risk matrix is used across the Council. The assessment is translated into a 'traffic light' score for simplicity in understanding the risk prioritisation.

The risk matrix is included below, but the matrix and full guidance tables are included in **Figure 2**.

- ▶ **'Likelihood'** is measured based on probability of the risk materialising, scored as 'very unlikely', 'unlikely', 'possible', 'likely' or 'very likely'.
- ▶ **'Impact'** is measured against the severity of a potential risk event, scored as 'major', 'significant', 'moderate' or 'minor'.

#### ***i. Threat (Negative) Risk Analysis***

A standardised 4 x 5 risk matrix is used by the Council to measure and report on the threats to the delivery of Council objectives, and to prioritise risk actions.

Directorate, Corporate, Programme and Project risks are measured using a threat (negative) risk assessment, and a number of key Council decisions on investments, savings and divestment are informed by a risk assessment in this format.

		IMPACT			
		1	2	3	4
LIKELIHOOD	A	A1	A2	A3	A4
	B	B1	B2	B3	B4
	C	C1	C2	C3	C4
	D	D1	D2	D3	D4
	E	E1	E2	E3	E4

**Likelihood:**  
A Very Likely  
B Likely  
C Possible  
D Unlikely  
E Very Unlikely

**Impact:**  
1 Major  
2 Significant  
3 Moderate  
4 Minor

At the analysis stage it is useful to have an awareness of stage four (risk response) of this strategy, as we typically have four risk responses available to us in order to manage the likelihood and / or the impact of the risk (*transfer, treat, tolerate, terminate*).

**ii. Opportunity (Positive) Risk Analysis**

In seeking to enhance the Council’s risk management maturity and gain the greatest strategic value from risk analysis, there is an increasing need to assess the opportunity (positive) risks available, and to include opportunities within our risk registers.

When assessing, monitoring and reporting opportunity risks, the risk matrix can be broadly reversed (with a few adjustments) i.e. **we want to increase the likelihood and / or the impact of the positive outcome.**

		IMPACT			
		1	2	3	4
LIKELIHOOD	A	A1	A2	A3	A4
	B	B1	B2	B3	B4
	C	C1	C2	C3	C4
	D	D1	D2	D3	D4
	E	E1	E2	E3	E4

**Likelihood:**  
A Very Likely  
B Likely  
C Possible  
D Unlikely  
E Very Unlikely

**Impact:**  
1 Major  
2 Significant  
3 Moderate  
4 Minor

At the risk analysis stage it is useful to have an awareness of stage four (risk response) of this strategy, as we typically have four opportunity risk response strategies available to us (*enhance, exploit, accept, share*). We can use these strategies to increase the likelihood and / or impact of realising an opportunity.

It is possible to analyse and manage all risks and opportunities through the traditional threat (negative) risk register. Opportunities can be converted into the negative risks associated with their successful delivery, and managed and tracked on this basis. However, holding separate opportunity (positive) and threat (negative) risk registers may appeal to some functions/managers to help maintain a distinct strategic focus on managing threats and opportunities.

### Integrated Risk Assessments

The Council does not operate in a vacuum, and there are a number of interdependencies at play in the management of risks to Cardiff and the wider region. A significant amount of cross organisational working takes place to manage risks associated with emergency management, safeguarding and public safety in particular. Efforts will continue to be made to build upon and enhance the collaborative approach to risk management.

Over the last few years we have seen changes in the methods of service delivery, with greater exploration and use of collaborative, partnership, arms-length and contractual arrangements. This is in addition to shared governance such as the Public Service Board and Joint Cabinet arrangements for the CCR City Deal.

When measuring risk it is essential that we consider the wider risk perspective and are not constrained by organisational boundaries. Risk Registers should be informed by integrated risk assessments, which systematically use risk information from public service forums, boards and partners together with wider intelligence, in order to effectively identify, assess and manage risk.

### Key Risk Indicators

It has become second nature to capture and monitor a series of performance measures and indicators across Council services. This provides important data and information on our progress in meeting the objectives set. It is possible to support traditional performance indicators with the use of Key Risk Indicators (KRIs). KRIs are an opportunity to develop and use indicators to assist functions, services and projects in managing their risks.

KRIs are leading indicators, they let us know how we are managing threats associated with our ongoing activity and objectives. A simple example below on increasing online services demonstrates how our traditional performance measures may give us confidence that availability has improved and back office savings have been delivered, but in order to capture rates of usage dropout by certain demographic groups, or service downtime we could introduce supplementary KRIs.

Making use of both KPI and KRI measures will enable us to adjust our actions and manage risks before they become an issue.

### Key Risk Indicator (KRI) Example

**Objective** - To make a certain key services fully accessible online and to reduce back office costs.

**Key Performance Indicators (KPIs)**

- 1) The percentage of services accessible online
- 2) The realised back office saving

**Key Risk Indicators (KRIs)**

- 1) Service user loss rate by demographic group.
- 2) The online service downtime rate.

### Decision Making

It is vital that decisions are strongly informed by a robust identification and assessment of risks and opportunities. A clear identification of the risks to our overall objectives can help us to frame our strategies and decisions to best effect in exploiting opportunities and managing threats.

- Firstly, we need to know the current context i.e. what vulnerabilities could we face or opportunities could we miss if we continue as we have been and do not change.
- Secondly, we need to identify and assess the risks associated with our proposed decisions.

The level of resource dedicated to risk identification needs to be proportionate to the nature and value of the decision being made. However, each risk perspective must be separately considered in each business decision to ensure a complete assessment.

As set out in the risk management statement, the key principle is one of accountability, whereby those providing risk information to support decision makers are responsible for robust risk assessments and clear communication of decision-related risk.

### Investment, Savings and Pressure Bids

Risk assessments form an important part of the decision making process for investments, savings proposals and financial pressure bids. They can be an important means of informing decision makers of the suitability, acceptability and feasibility of proposals and of prioritising limited resources. Typical risk assessments are as follows.

- Achievability - This refers to the extent of risk-based assurance that we have on delivering a saving. This is typically based on whether the saving has already been effectively achieved (such as the deletion of a vacant post), whether a detailed plan is in place with strong confidence of delivery, or if there are only general plans in need of refinement. The higher the degree of certainty the lower the risk rating.
- Inherent Risk - This refers to the decision related risk before mitigating controls are put in place. In respect of a savings proposal, it is the risk the Council will face if



the savings proposal is accepted. In the case of an investment / financial pressure bid, it is the risk the council will face if the bid is rejected.

- **Mitigated Risk** - This refers to the level of inherent risk once the control actions have been taken into account. In the case of a savings proposal it refers to the risk the Council will face if the saving is taken, after taking into account the measures that will be put in place to reduce the potential impact. In the case of an investment / financial pressure bid it is the remaining risk if funding is not provided, but again following any planned mitigating action to reduce the risk.
- **Equality Impact Assessment** - An assessment of equalities risk is undertaken on an equalities screening form. Where the equalities risk is assessed to be red or red-amber a supplementary equalities impact assessment (EIA) is completed. In communication with the Equalities Team the impact assessment is completed, with all EIA proposals signed off by the relevant Director.

### Savings / Pressure Bids

In each instance the risk score should be used to support a case for change.

- **For savings**, we are measuring the risk associated with accepting the proposal.
  - *Firstly, what is the risk to successfully delivering the full saving?*
  - *If delivered, what risk does the saving pose to delivering our objectives and priorities?*
  - *What actions will we take to manage these risks?*
- **For investments and financial pressures**, we are measuring the risk of not approving the bid.
  - *What are the potential risks to our objectives and priorities if the bid is not accepted?*
  - *What actions will we take to manage these risks?*

## 3. Risk Evaluation

Risk evaluation is a process that is used to interpret the risk analysis and to consider whether the risk is acceptable or tolerable.

To guide the risk evaluation there is a systematic risk escalation process in place for all risks, which is based on the risk assessment. This means that risk are evaluated in an appropriate forum relevant to the risk assessment. The reporting and evaluation process is outlined in stage 3, as follows.

## **Stage 3 – Reporting and Escalation**

Risks are systematically reported and escalated on a risk priority basis each financial quarter (at minimum). This is to ensure that there is timely awareness of the most significant risks at both directorate and corporate levels.

The Council holds Directorate Risk Registers and a Corporate Risk Register and the purpose of each is outlined below.

### **The Corporate Risk Register (CRR)**

The CRR is a register of the main risks to the delivery of corporate objectives and priorities.

The CRR is used as a strategic tool, to identify, monitor and manage the key risks facing the Council so that elected Members and senior management can make informed decisions and prioritise actions, with these high level risks in mind.

The CRR is reviewed quarterly by Senior Management Team, the Risk Champion Network and the Audit Committee, and biannually by the Risk Management Steering Group, and Cabinet to ensure the register remains relevant and accurate.

### **Directorate Risk Registers (DRR)**

Each directorate holds a DRR, which is a register of the key risks that they need to monitor and manage in order to effectively deliver their functions and discharge their responsibilities.

Directorate risks are reviewed and reported each quarter by Directors, Managers and Risk Champions. Directors escalate risks to Senior Management Team (SMT) upon quarterly review.

Once directorate risks are escalated to SMT, a decision is made on whether they will become corporate risks, or if they will remain on directorate risk registers, but with collective SMT ownership and quarterly review.

SMT determine if any changes are required to the CRR each quarter in consideration of the risk assessments reported and escalated. The remaining escalated risks continue to be held on Directorate Risk Registers (DRR) and reviewed by SMT each quarter until it is agreed that mitigation is sufficient for risk ownership to transfer back to the Directorate.

**i. Standard Risk Escalation and Reporting**

In managing day-to-day threat (negative) risks within risk appetite, a risk escalation process is in place to report risks from Directorate Risk Registers (DRRs) to SMT. The risk escalation process represents the delegated risk appetite, and sets out the minimum standards of risk reporting and risk ownership.

The delegated risk appetite means that:

1. Each Director reviews and has responsibility for their directorate risks with a residual (current) rating of red/amber and above.
2. SMT reviews and has collective responsibility for all 'red' risks from all DRRs.

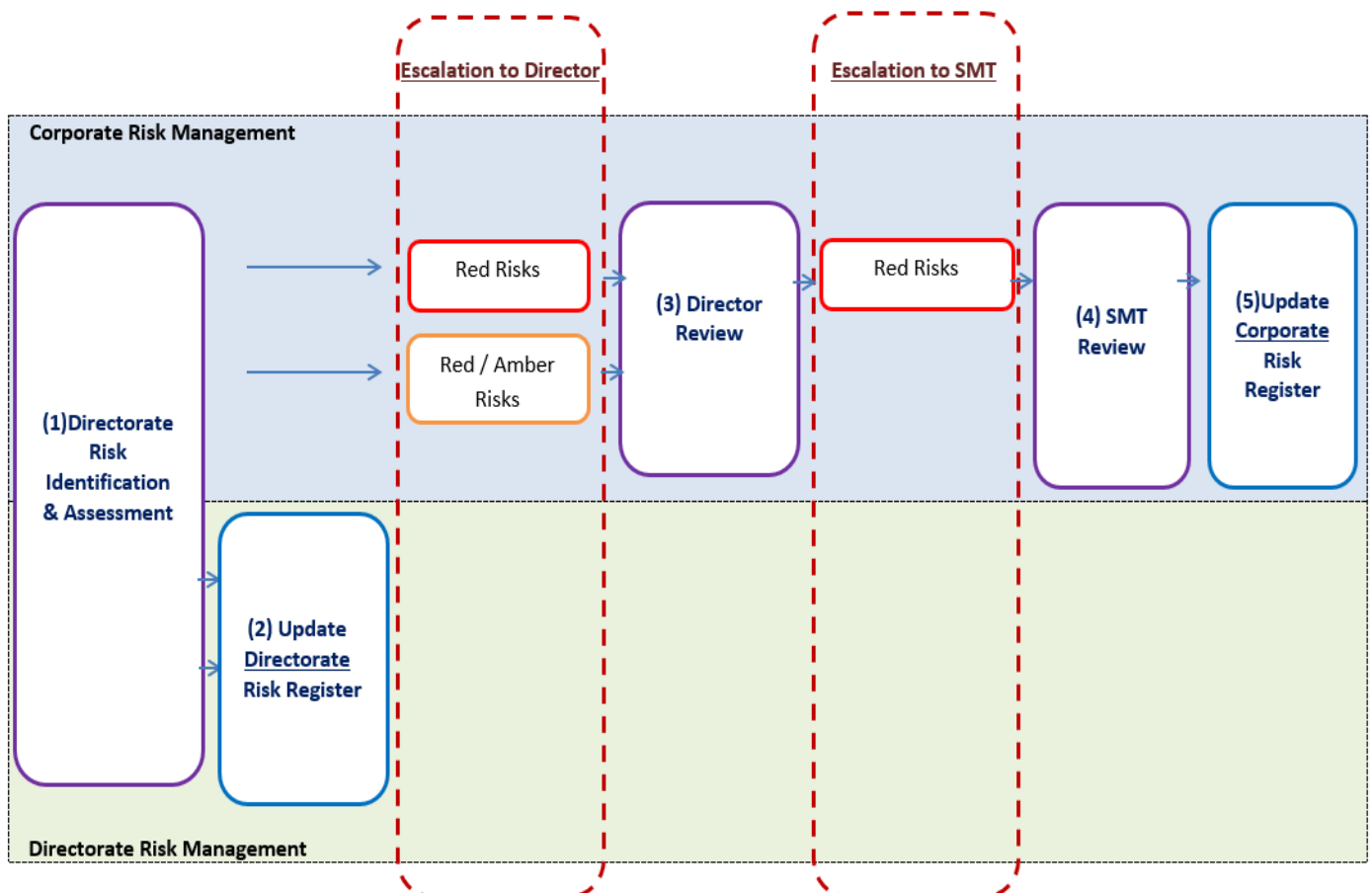
The minimum standards for risk escalation are as follows:

**a) Director Review**

- Each Director must review each 'red' and 'red/amber' residual risk on their DRR each quarter.
- Each Director must then escalate all 'red' residual risks from their DRR to SMT each quarter.

**b) SMT Review**

- SMT review all escalated risks and determine the appropriate method of reporting and mitigations required.



Each financial quarter, SMT collectively determine whether or not any changes are required to the CRR. When making this consideration they consider the extent to which the risk has a strategic link to the corporate plan, corporate values and priorities.

Decisions on whether to escalate or de-escalate risks from the corporate risk register are made by SMT in the interests of being open about key strategic risks facing the Council.

## **ii. Fast Track Risk Escalation and Reporting**

As part of the Council's risk aware culture, risks need to be identified and reported on a priority basis to the extent required in order to manage the risk effectively and proportionately.

There will be times when potential risk events materialise perhaps with little or no prior warning or awareness. This sort of risk awareness can present itself following a regulatory or compliance review, an incident within the Council or elsewhere or via a number of other internal or external risk indicators.

### **Key Principle - Risk Reporting and Escalation**

The standard quarterly risk management reporting process is a base-level process.

Risks should be reported and managed to the extent required to proportionately address relevant threats.

Risk should be a standing item on the agenda of management team meetings across the Council, and addressed and discussed daily.

## **iii. Organisational Development Programme - Risk Escalation and Reporting.**

Programme and Project Risk Registers are used to identify, manage, monitor and report risks to the Organisational Development Programme. These risks are escalated on a systematic basis through the corporate Project Quality Assurance (PQA) process (PQA Handbook - CIS 5.PQA.708).

All risks identified by the Project Team and Stakeholders are reported to the Project Board and Project Executive. Typical escalation points are to the Project Board and Project Executive → Programme Board and Senior Responsible Officer → Portfolio Board and Portfolio Director → Senior Management Team / OD Board.

***iv. Risk Control within Partnerships / Collaboration Activities***

Each Directorate participates in partnership / collaborative activities, for which clear governance arrangements are necessary to ensure the effective delivery of scope and objectives with clear accountabilities in place.

Each partnership / collaboration requires:

- Adoption of this Risk Management Policy and Strategy, or a robust alternative.
- A clear risk appetite, through which the risks to Cardiff Council do not exceed the risk appetite boundary levels as set out in this policy.
- A clear means of allocating risk ownership and accountability.
- A clear and robust risk escalation and reporting process.

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## Stage 4 - Risk Response

When deciding how to control a traditional or opportunity risk there are four typical options available. The risk control measures to deal with a threat risk are commonly known as the four T's; Tolerate, Treat, Transfer or Terminate. There are four additional risk management options for opportunity risks and each are outlined as follows.

Threat (Negative) Risk Control Measures			
<b>Transfer</b> Insurance, Outsource, Partnerships.	<b>Treat / Control</b> Mitigation, Likelihood & Impact.	<b>Tolerate / Accept</b> Understand & live with the risk.	<b>Terminate</b> Avoid the risk.

### Risk Response Strategies for Threat (Negative) Risks

1. **Tolerate / Accept the Risk** – The current (residual) risk is managed to a level which is tolerable and within appetite. No further actions are considered necessary to manage the risk beyond the normal management routines that are in place, and subject to ongoing monitoring.
2. **Treat / Control the Risk** - The risk is identified as outside of tolerance, so controls need to be put in place that effectively manage the risk and reduce the risk to an acceptable level. There are four typical types of controls:
  - ▶ *Preventative* controls help to stop the risk from occurring in the first place. Examples include restricting access to buildings or IT systems, requiring two signatures on cheques, ensuring segregation of duties (i.e. at least two officers are involved in a system / process) and implementing authorisation limits.
  - ▶ *Detective* controls can alert you that the risk event is becoming more likely to occur. Examples include quality checks, alarms, exception reports, accident / error reports, budget monitoring reports and insurance claims reports.
  - ▶ *Directive* controls offer guidance on how to carry out processes in conformance with particular requirements, such as procedure manuals, guidance notes, instructions, supervision and training.
  - ▶ *Corrective* controls are intended to limit the extent of damage caused by an incident or a risk trigger that has taken place. Examples include error, incident, complaint handling, virus isolation, business continuity / recovery plans or processes.
3. **Transfer the Risk** -The traditional approach is to transfer risks to an insurer e.g. legal liability, property, motor vehicle etc. There are other examples such as service delivery being transferred to the private sector or delivered jointly with partners. Where this approach is considered the risk needs to be carefully considered, as it is often the case that some risk can be transferred whilst major risks such as responsibility for delivery of the service and the reputational risk remains with the Council.
4. **Terminate / Eliminate the Risk** - The risk is so serious that adding controls or modifications do not reduce the risk to an acceptable. An option at this point could be to withdraw from the activity.

## Risk Response Strategies for Opportunity (Positive) Risks

Opportunity (Positive) Risk Control Measures			
<p><b>Realise / Exploit</b> Maximise likelihood.</p>	<p><b>Enhance</b> Improve likelihood</p>	<p><b>Share</b> Collaborate to exploit opportunity.</p>	<p><b>Accept</b> Do not directly influence opportunity.</p>

1. **Exploit / Realise** – Exploiting is about doing everything that you can to make sure that the opportunity is realised. In an exploit risk strategy, you increase the chance of achieving the opportunity to 100%.

*Example – You have a short time window to bid for Welsh Government grant funding. You secure a dedicated multi-disciplined project team of specialist officers and a resource budget to develop a robust bid on time and of high quality. You take every possible step to deliver the very best bid with close engagement with the grant provider.*

2. **Enhance** – Enhancing is about increasing the probability of the occurrence of the opportunity, by taking measures to increase the chance of the event happening. Whilst there is no guarantee that you will realise the opportunity, you take action to increase the likelihood.

*Example – You have a short time window to bid for Welsh Government grant funding. The officer responsible for the bid is given additional short-term resources to focus on developing a bid to meet the challenging deadline and improved viability.*

3. **Share** – Sharing is about seeking collaborations or using contractual arrangements, as you are unable to realise the opportunity alone.

*Example – You may lack the technical ability to successfully bid for Welsh Government grant funding. An option is seek collaboration / input from an organisation that delivers the skills and support required.*

4. **Accept** – Accepting is about leaving the opportunity open, without taking particular action to realise it. If the opportunity happens you realise it, but otherwise you will not take action.

*Example – As lead officer, you have been advised that if available you may be allocated specialist officers to support you in developing a bid for Welsh Government grant funding. You do not actively request the specialist officers, but will utilise them if they are allocated to you by senior management.*

## Stage 5 – Monitoring and Review

In accordance with the Council's risk aware culture, we seek ongoing mechanisms and indicators to identify, assess and report risks, as outlined in the preceding sections of this Policy and Strategy. Risks should be monitored, discussed and reviewed on a priority basis to the extent required for effective and proportionate management.

Risks constantly change, so it is necessary to monitor and regularly report on the progress being made in managing risks and opportunities, so that the achievement of business aims and service objectives are maximised and losses are minimised.

Risk should be a standing item on the agenda of management team meetings across the Council, and addressed and discussed daily as part of an ongoing monitoring and review process.

Each risk owner is accountable for communicating an accurate picture of the nature, source, cause and controls for threat (negative) and opportunity (positive) risks. It is important that risk registers are kept up to date and accurate with robust risk analysis which enables meaningful monitoring and review.

The risk escalation process is designed and operated in accordance with the Council's risk appetite, which informs the extent of risk monitoring and review as outlined in stage 4 above. Additionally, for wider risk management oversight and assurance:

- SMT and Audit Committee review the full Corporate Risk Register each quarter
- Cabinet and Risk Management Steering Group review the full Corporate Risk Register biannually

At each review stage attention should be prioritised to considering high (red risks) and medium risks (red / amber risks). Particular attention should be paid the sufficiency of the proposed improvement actions to manage risks within the Council's risk appetite in an acceptable timeframe.

### Monitoring and Review of Existing Risks

As outlined previously, existing risks should be monitored regularly and formally reviewed at least quarterly. At all levels of review the nature, source and cause of the risk needs to be reconsidered to ensure ongoing accuracy, adequacy of focus and a clear understanding of the root cause of the risk.

The risk owner is principally responsible for reviewing and updating the risk description, inherent risk and current controls, whilst setting out clear and proportionate improvement actions, where merited, in accordance with the risk assessment (stage 2) process.

At each stage of the review, consideration should be given to business objectives, risk appetite, risk ownership, risk interdependencies and the sufficiency of risk management controls and proposed actions.

If it is collectively considered that the risk no longer represents a key strategic priority upon which greater oversight and public reporting is merited, SMT may decide to de-escalate corporate risks. Typically, risks are de-escalated when their effective management is



considered to be embedded in business as usual routines, at which point their reporting transfers to directorate risk register(s).

### Monitoring and Review of New / Escalated Risks

All Council processes, functions, contracts, programmes and projects require effective mechanisms to identify and assess the risks to their effective delivery. New threats and opportunities may be identified from new or existing activities through the risk assessment (stage 2) process.

Risk ownership should be allocated for all new risks to ensure clear accountability for the risk assessment and reporting process. Risks should then be escalated for monitoring and review in accordance with the reporting and escalation (stage 3) process.

## **Risk Management Roles and Responsibilities**

The roles and responsibilities of individuals and groups to implement the strategy are as follows:

### **Cabinet**

- Approve the risk appetite of the Council.
- Ensure relevant risks are considered as part of every Cabinet report decision and that in approving such decisions, the Council's risk appetite is not exceeded.
- Review the content, and effective management, of risks on the Corporate Risk Register biannually.
- Periodically review the Council's approach to Risk Management and approve changes or improvements to key elements of its processes and procedures.

### **Elected Members**

- Consider relevant risks associated with recommendations in decision making reports through Committee roles.
- Engage in active risk management debate with the Portfolio lead (Member Risk Champion), Risk Management Officers and relevant Committee roles.

### **Member Portfolio Lead (Risk Champion)**

- To promote risk management within the Council's corporate and service priorities.
- To promote the needs of the client group represented in risk management to the decision makers within the Council.
- To work with the decision makers in the Council to establish strategies / policies / work plans connected with risk management.
- To maintain an awareness of all matters connected with risk management.
- To engage with members in matters related to risk management such as attending Overview and Scrutiny / Cabinet / Full Council meetings etc.
- Raising awareness of and taking a lead role in the development of all members and officers in relation to risk management.

### **Scrutiny Committees**

- Providing a challenge to the Cabinet that risks have been managed within appetite and that risks have been appropriately identified and considered in decision making.

### **Audit Committee**

- Provide independent assurance of the adequacy of the Risk Management Policy and Strategy and the associated control environment within the Council.

### **Chief Executive**

- Support in raising the profile of risk management and promoting the accountability of all staff within the Council.

### **Officer Risk Champion**

- The Section 151 (Officer Risk Champion) is responsible for raising the profile of Risk Management and promoting the accountability and responsibility of all Members and officers within the Council.

## **Senior Management Team**

- Work with their risk champion(s) and management team each quarter to identify risks relevant to their functions and areas of responsibility.
- To promptly escalate risks to SMT in accordance with the risk escalation requirements.
- Take ownership for the management of corporate risks within the organisational risk appetite.
- To review the content of the Corporate Risk Register at least quarterly and provide assurance to stakeholders that the risks are being effectively mitigated.
- Allocate sufficient resources to address strategic risks.
- Create and support an environment and culture where risk management is promoted, facilitated and appropriately undertaken within the Council.
- Integrate risk management into performance management, business planning, business change projects, partnership and collaborative activities Senior Management.

## **Risk Management Steering Group**

The key roles of the Risk Management Steering Group are to:

- Support the development and implementation of the Risk Management Policy and Strategy and good practice risk management initiatives.
- Ensure an effective framework for managing risks throughout the Council including partnerships.
- Review the content of the Corporate Risk Register biannually to ensure risks are being managed within the corporate risk appetite.
- Ensure effective training and development of managers and staff on Risk Management processes, procedures and implementation.

## **Risk Management Team**

The Risk Management Team is responsible for supporting and promoting a corporate, and enterprise approach to risk management through.

- Developing strategic risk management initiatives and approaches for review in SMT, Risk Management Steering Group, Audit Committee and Cabinet.
- Delivering risk management advice, guidance, coaching and training.
- Overseeing the Risk Champions network, its activities and reporting.
- Co-ordinating the risk management review, escalation and reporting process with the Risk Management Steering Group, SMT, Audit Committee and Cabinet.
- Reporting on risk management development, initiatives and outcomes.

## **Risk Champions**

The Council has established a network of officers representing each Directorate, the role of a Risk Champion is to:

- Attend Risk Champion meetings and any required training, and contribute to and support risk management development.
- Work with managers within their Directorate to identify, assess and maintain an accurate DRR each financial quarter.

- Raise the profile of risk management and promote its benefits, within their Directorate.
- Keep up to date with risk management requirements, in order to support the delivery of consistent, accurate and timely risk identification, assessment and reporting.

### **All Staff**

All staff have a responsibility for identifying threat risks in performing their day to day duties and at a minimum reporting the risk to their Line Manager or Risk Champion.

Management must report risks to Risk Champions, and work with them to complete a timely and accurate risk assessment which can be reporting through the DRR review process.

Staff have a personal responsibility to mitigate and / or report certain risks in accordance with other corporate policies, such as Financial Procedure Rules and the Health and Safety policy.

If further clarification is required on your responsibilities please contact:

- Vivienne Pearson (OM, Information Governance and Risk Management) (029) 2087 3340, or
- Chris Pyke (Principal Auditor – Risk and Governance) (029) 2087 2276.

## Glossary of Terms

<b>Corporate Risks</b>	Risk to the delivery of corporate objectives and priorities.
<b>Current Controls</b>	The combination of policy, procedure, practice, process, technology, technique, method and device that has modified or managed the risk.
<b>Directorate Risks</b>	Risks to the delivery of directorate functions and priorities.
<b>Impact</b>	The effect or result of a risk taking place (risk event).
<b>Inherent Risk</b>	The risk score before the countermeasures (current controls) have been taken into account.
<b>Likelihood</b>	The chance / probability of the risk taking place.
<b>Opportunity</b>	An uncertain event that would have a favourable impact on objectives or benefits if it occurred.
<b>Residual / Current Risk</b>	The remaining level of risk after you have implemented your current controls.
<b>Risk</b>	<p>The effect of uncertainty on objectives.</p> <p>An effect is a positive or negative deviation from what is expected.</p>
<b>Risk assessment</b>	<p>Made up of three processes: risk identification, risk analysis, and risk evaluation.</p> <ol style="list-style-type: none"> <li>1. <u>Risk identification</u> the process used to find, recognise, and describe the risks that could affect the achievement of objectives.</li> <li>2. <u>Risk analysis</u> is a process used to understand the nature, sources, and causes of risks and to study impacts and consequences.</li> <li>3. <u>Risk evaluation</u> is a process that is used to interpret the risk analysis and to consider whether the risk is acceptable or tolerable.</li> </ol>
<b>Risk Appetite</b>	The level of risk that the Council and its leadership team are willing to take on, accept, tolerate or be exposed to in pursuit of Council objectives.
<b>Risk Response</b>	The process of developing strategic options, and determining actions, to increase opportunities and reduce threats to objectives.

<b>Risk Escalation</b>	The systematic process of risk reporting, ownership, review and oversight.
<b>Risk Matrix</b>	Used to measure the 'Likelihood' and 'Impact' of a risk occurring.
<b>Risk Owner</b>	The person or function that has been given the authority to manage a particular risk and is accountable for doing so.
<b>Risk Tolerance</b>	The acceptable variance from risk appetite.
<b>Enterprise risk management</b>	An approach to embedding risk management into day to day business processes and practices.
<b>Threat</b>	An uncertain event that could have a negative impact on objectives or benefits.

## Further Information

If you would like to know more about Risk Management, please contact the following:

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 Cabinet Member for Finance, Modernisation and Performance  
*Member Risk Champion*

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 Business Continuity Officer  
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Figure 1

# Risk Appetite - Decision Matrix

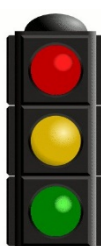
General characteristics at each risk appetite.

Risk Type	Averse	Minimalist	Cautious	Open	Hungry
Type	Averse	Minimalist	Cautious	Open	Hungry
	Where we focus on avoiding risk & uncertainty	Where we seek to deliver very safe options with a low degree of risk which will return a very limited reward.	Where we seek to deliver safe options with a low degree of risk and limited reward.	Where we consider all potential delivery options, seek greater reward, are aware of the risks and can put in place actions to moderate these risks.	Where we seek out innovative delivery options and choose options offering the highest reward despite significant risks which are not able to be managed.
<b>Legal &amp; Regulatory</b> Risks to the Council's sheet, assets and liabilities, awards or income and spending levels by the general public and Cardiff residents.	existing service / business models for reasonable legal or compliance-based challenge. Very low residual risk from strategic decision. No challenge expected but any challenge will be managed by the Directorate(s) concerned.	existing services and delivery models possibility of legal or compliance-based challenge. Low residual risk from strategic decision. The limited, if any challenge, can be managed effectively by the Directorate(s) concerned.	incremental changes to service / business legal or compliance-based challenge. Possible legal or compliance-based challenge. Challenges expected to reach the ombudsman. Moderate / low residual risk from strategic decision. Some risk sharing and / or transfer likely. Whilst not expected, any successful legal challenge(s) represent low overall risk.	changes to service / business legal or compliance-based challenge. Moderate residual risk from strategic decision. Impact of successful challenge is moderate. Risk sharing and / or transfer likely.	service / business / Very likely legal or compliance-based challenge. Characteristics and high levels of strategic autonomy. Impact of successful challenge is high. High residual risk from strategic decision. Risk sharing and / or transfer very likely.
<b>Financial</b> Risk to the Council's sheet, assets and liabilities, awards or income and spending levels by the general public and Cardiff residents.	Negligible risk to funding, financial loss and asset impairment.	Low risk to funding, financial loss and asset impairment.	Moderate / low risks to funding, financial loss and / or asset impairment.	Moderate risk to funding, financial loss and / or asset impairment.	High risk to funding, financial loss and / or asset impairment.
<b>Reputational</b> Risks to the effective and efficient delivery of Council services and business continuity.	Likely related to the lowest cost option. Possibilities of even minor member regulatory, media or public scrutiny / adverse criticism.	Eliminated possibilities of moderate member regulatory, media or public scrutiny / adverse criticism. Very unlikely	Eliminated possibilities of significant member regulatory, media or public scrutiny / adverse criticism. Possible but unlikely moderate criticism such as incremental statutory prosecution of a non-serious nature. Seek some improvement to service quality.	Eliminated possibilities of major member, regulatory, media or public scrutiny / adverse criticism. Possible but unlikely significant criticism, such as local publicity of a significant and persistent nature. Moderate criticism is likely to increase service quality.	Invest in option with best possible return; or major member, regulatory, media or public scrutiny / adverse criticism. Strong limitations to control over assets and financial outcomes. Likely adverse local publicity of a significant and persistent nature. Possible major service disruption to a statutory service(s).
<b>Service Delivery</b> Risks to the effective and efficient delivery of Council services and business continuity.	adverse criticism. Focus on maintaining existing services and making only essential changes. Negligible disruption possible.	minor criticism Focus on minor changes to existing services. Possible minor and brief non-crucial service disruption.	unlikely moderate criticism such as incremental statutory prosecution of a non-serious nature. Seek some improvement to service quality.	publicity of a significant and persistent nature. Moderate criticism is likely to increase service quality.	Focus on major service delivery changes. Possible major service disruption to a statutory service(s).
			Possible short term disruption to an important service.	Possible disruption to important services for a short period.	



Figure 2

### Risk Matrix and Definitions



<b>High Priority</b>	<b>Red</b> - Significant management action, control, evaluation or improvements required with continued proactive monitoring.
<b>Medium Priority</b>	<b>Red / Amber</b> - Seek cost effective management action, control, evaluation or improvements with continued proactive monitoring.
<b>Medium Priority</b>	<b>Amber / Green</b> - Seek cost effective control improvements if possible and/or monitor and review regularly.
<b>Low Priority</b>	<b>Green</b> - Seek control improvements if possible and/or monitor and review.

		<b>IMPACT</b>				
		1	2	3	4	
<b>LIKELIHOOD</b>	A	<b>A1</b>	<b>A2</b>	<b>A3</b>	<b>A4</b>	<b>Likelihood:</b> A Very Likely B Likely C Possible D Unlikely E Very Unlikely  <b>Impact:</b> 1 Major 2 Significant 3 Moderate 4 Minor
	B	<b>B1</b>	<b>B2</b>	<b>B3</b>	<b>B4</b>	
	C	<b>C1</b>	<b>C2</b>	<b>C3</b>	<b>C4</b>	
	D	<b>D1</b>	<b>D2</b>	<b>D3</b>	<b>D4</b>	
	E	<b>E1</b>	<b>E2</b>	<b>E3</b>	<b>E4</b>	

The 'LIKELIHOOD' table below provides a framework by which you can use to score the likelihood of your risk occurring giving a score of A being very likely to E being very unlikely.

Description	Probability	Criteria
A - Very Likely	75% + chance of occurrence	<ul style="list-style-type: none"> <li>Expected to occur in most circumstances</li> <li>Circumstances frequently encountered (daily/weekly/monthly/annually)</li> <li>Imminent/near misses frequently experienced.</li> </ul>

<b>B</b> - Likely	<b>50% - 74%</b> chance of occurrence	<ul style="list-style-type: none"> <li>• More likely to occur than not.</li> <li>• Will probably occur in many circumstances</li> <li>• Circumstances occasionally encountered but not a persistent issue (e.g. once every couple/few years)</li> <li>• Has happened elsewhere in the UK within the last decade</li> <li>• Intermittent / regular near misses experienced.</li> </ul>
<b>C</b> - Possible	<b>30% – 49%</b> chance of occurrence	<ul style="list-style-type: none"> <li>• Fairly likely to occur but not expected.(e.g. once in 2 to 3 years)</li> <li>• Risk factors periodically experienced.</li> </ul>
<b>D</b> - Unlikely	<b>10% - 29%</b> chance of occurrence	<ul style="list-style-type: none"> <li>• Not expected to happen, but there is the potential (once in 3 or more years)</li> <li>• Not known in this activity</li> <li>• Unlikely but not unforeseeable</li> </ul>
<b>E</b> - Very Unlikely	<b>Less than 10%</b> chance of occurrence	<ul style="list-style-type: none"> <li>• May occur only in exceptional circumstances.</li> <li>• Has rarely / never happened before</li> </ul>

The 'IMPACT' table:

Description	1 - Major	2 - Significant	3 - Moderate	4 - Minor
<b>Implications for Service and / or Achievement of Key Targets / Objectives</b>	<p>Major loss of service, including several important areas of service and / or protracted period</p> <p>Service Disruption 5+ Days</p> <p>Major impact on achievement of several key targets / objectives</p>	<p>Complete loss of an important service for a short period</p> <p>Significant effect to services in one or more areas for a period of weeks</p> <p>Service Disruption 3-5 Days</p> <p>Significant impact on achievement of a key target / objective or some impact on several</p>	<p>Moderate effect to an important service for a short period</p> <p>Adverse effect to services in one or more areas for a period of weeks</p> <p>Service Disruption 2-3 Days</p> <p>Moderate impact on achievement of one or more targets / objectives</p>	<p>Brief disruption of service</p> <p>Minor effect to non-crucial service</p> <p>Service Disruption 1 Day</p> <p>Minor impact on achievement of targets and objectives</p>
<b>Reputation</b>	<p>Adverse and persistent national media coverage</p> <p>Adverse central government response, involving (threat of) removal of delegated powers</p> <p>Officer(s) and / or Members forced to resign</p>	<p>Adverse publicity in professional / municipal press, affecting perception / standing in professional / local government community</p> <p>Adverse local publicity of a significant and persistent nature</p>	<p>Adverse local publicity / local public opinion</p> <p>Statutory prosecution of a non-serious nature</p>	<p>Contained within Directorate</p> <p>Complaint from individual / small group, of arguable merit</p>
<b>Health &amp; Safety</b>	<p>Fatality (ies)</p>	<p>Incidents reportable to the HSE (i.e. specified injuries to workers, over seven days lost from work accidents, specified non-fatal accidents to non-workers, specified occupational diseases / dangerous occurrences / gas incidents). Cases of other injury's (not reportable to HSE).</p>	<p>Minor injuries No time lost from work</p>	<p>No injuries but incident has occurred</p>
<b>Failure to provide statutory duties / meet Legal Obligations</b>	<p>Multiple Litigation</p>	<p>Litigation</p>	<p>Ombudsman</p>	<p>Individual claims</p>
<b>Financial</b>	<p>Corporate Budget re-alignment</p>	<p>Budget adjustment across Directorates</p>	<p>Contained within Directorate</p>	<p>Contained within Section / Team</p>
<b>Implications for Partnership (e.g. objectives / deadlines)</b>	<p>Complete failure / breakdown of partnership</p>	<p>Significant impact on partnership or most of expected benefits fail</p>	<p>Adverse effect on partnering arrangements</p>	<p>Minimal impact on partnership</p>
<b>Implications for the Community or the Environment</b>	<p>Extensive, long-term impact</p> <p>Major public health / environmental incident or loss of significant community facility</p>	<p>Long-term environmental or social impact such as a chronic and / or significant discharge of pollutant</p>	<p>Short-term, local environmental or social impact such as a major fire</p>	<p>No lasting detrimental effect on the environment or the community e.g. noise, fumes, dust etc.</p>
<b>Stakeholders</b>	<p>Stakeholders would be unable to pursue their rights and entitlement and may face life threatening consequences</p>	<p>Stakeholders would experience considerable difficulty in pursuing rights and entitlements</p>	<p>Some minor effects on ability of stakeholders to pursue rights and entitlements, e.g. other sources or avenues would be available to stakeholders</p>	<p>The interests of stakeholders would not be affected</p>

Figure 3

Standard Risk Register Template

Ref	Risk Description	Inherent Risk			Current Controls	Residual Risk			Proposed Management Actions	Target Risk Rating	Risk Owner
		Likelihood	Impact	Priority		Likelihood	Impact	Priority			
1.											
2.											
3.											
4.											

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## City of Cardiff Council

WAO performance audit work programme update January 2018

WAO Performance Audit Themed Review work programme for 2017-18				
Item no.	Project	Description	Update	Timescale
1	<b>Year one commentary on WFG/Baseline</b>	<p>This project will gather evidence on how the 44 bodies are beginning to respond to the requirements of the Well Being of Future Generations Act and identify examples of notable emerging practice.</p> <p>There will be no local report but it is intended that the baseline will inform a commentary to be published in the summer of 2018.</p>	Local fieldwork complete	<p>Publication of national commentary in Spring 2018</p> <p>Event – 17 May 2018</p>
2	<b>Overview and Scrutiny – Fit for the Future?</b>	<p>National themed review in all 22 Welsh councils.</p> <p>The review will explore whether the Council’s overview and scrutiny function is well placed to respond to current and future challenges including the Well-being of Future Generations Act (WFG Act), in relation to their scrutiny activity, as well as how councils are beginning to undertake scrutiny of public service boards. We will examine how well placed councils are to respond to future challenges including continued pressure on public finances and the possible move towards more regional working between local authorities.</p>	Fieldwork complete, draft report March	March 2018

		The review involves interviews, focus groups and observations of a sample of scrutiny committees.		
3	<b>Service User Perspective Review</b>	<p>National themed review in all 22 Welsh councils.</p> <p>The purpose of this project is to gain assurance and insight into the extent to which services respond to the needs and expectations of service users both in their design and delivery, and take their views and aspirations into account. We will examine how service users feel they are able to influence the design and delivery of services and what changes to the design and delivery of services would help to better meet their needs, and the implications of this for value for money and achievement of intended outcomes.</p> <p>Our work at the Council will focus on the Council's housing tenants. It will involve a telephone survey of a sample of the Council's housing tenants.</p>	Project Brief under development. Topic: Council housing tenants. Had set up meeting with officers on 30 <sup>th</sup> November. Fieldwork commence March 2017.	March 2018
4	<b>Welsh Housing Quality Standard review</b>	A local review to determine whether the Council has effective arrangements in place to enable it to engage with residents to maintain the WHQS.	As above. Project brief to be issued. We will look to deliver this review alongside our service user perspective review, which is focusing on the Council's housing tenants.	March 2018
5	<b>Aligning Levers of change</b>	The purpose of this review is to support the development of local action that will promote positive practice and help identify barriers to be addressed. The review will assist councils to:	Discussions are ongoing with the Council to determine the scope of this work.	

		<ul style="list-style-type: none"> <li>• refine current arrangements in Councils by promoting what is working well, identifying any barriers and developing local improvement opportunities; and</li> <li>• facilitate sharing of practice between Councils.</li> </ul>		
6	<b>Digital Risk diagnostic</b>	An overview of the level of digital risk the Council faces. The diagnostic will be used by the Wales Audit Office to identify 'potential' digital risks and issues at the Council. Potential risks identified will be used to focus auditors on areas where further, more specific IM&T performance work might be needed.	Draft project brief to be issued.	February/March 2018
<b>2017-18 Improvement Assessment</b>				
<b>Item no.</b>	<b>Project</b>	<b>Description</b>	<b>Update</b>	<b>Timescale</b>
7	<b>Improvement Assessment Letter 1</b>	Review Council arrangements to secure continuous improvement, its progress against previous proposals for improvement and the setting of improvement objectives for the year	Audit complete. Certificate issued to the Council on 17 April 2017	April 2017
8	<b>Improvement Assessment Letter 2</b>	Review of the Council's published plans for delivering on improvement objectives	Audit complete. Certificate issued to the Council 13 November 2017	November 2017
9	<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'		May 2018
<b>Local Government National Studies 2016-17</b>				
<b>Item no.</b>	<b>Project</b>	<b>Description</b>	<b>Update</b>	<b>Timescale</b>
10	<b>Improving Well Being through Housing Adaptions</b>	We have reviewed how adaptations prevent access to and speed up discharge from hospitals. The work has looked at how health use adaptations to underpin their activity as well	Report currently in clearance. Cardiff was not a selected fieldwork site	Publish February 2018

		as how efficient and effective organisations are at procuring and delivering adaptations work. The study is seeking to answer the following main question: Is there an effective strategic approach to housing adaptations that delivers value for money and assures the continued wellbeing of vulnerable people?		
11	<b>Strategic commissioning of learning disability services by local authorities</b>	The review focuses on learning disability schemes as a tracer in local authorities and will assess how effectively strategic commissioning is being delivered. Fieldwork focussed on both the corporate approach to strategic commissioning but also used findings from the tracer area to understand how effective operational arrangements are. We have worked with CSSIW and SSIA and have built on the recent national inspection and support work on learning disabilities.	Report currently in clearance.  Cardiff was a selected fieldwork site.	Publish March 2018
12	<b>How Local Government manages demand – Homelessness Services</b>	The study focuses on a specific tracer area of homelessness in local authorities using the recent prevention duties placed on local authorities to judge how demand for services is managed.	The report has been published and is available on the <a href="#">WAO website</a> .  Cardiff was not selected as a fieldwork site	Published 9 January 2018
<b>Local Government Studies 2017-18</b>				
<b>Item no.</b>	<b>Project</b>	<b>Description</b>	<b>Update</b>	<b>Timescale</b>
13	<b>Using data effectively</b>	Focus on council's corporate management arrangements for managing and using data leading to better decision making in the use of resources.	Project Brief issued 23 <sup>rd</sup> June 2017. The study will collect information from all councils in Wales.	August 2018



			<p>A short survey has been issued to the following respondents across all councils in Wales</p> <ol style="list-style-type: none"> <li>1. Corporate Management teams</li> <li>2. ICT Managers</li> <li>3. Information Officers</li> <li>4. Policy Officers</li> <li>5. Operational Managers</li> <li>6. and Elected Members</li> </ol> <p>The survey closed on 12 December.</p> <p>The study team will then analyse the responses to identify notable practice in the management and use of data and barriers to further progress. We will conduct either face-to-face or telephone interviews with officers.</p>	
14	<b>Services to Rural Communities</b>	<p>The study will focus on whether local government uses its resources to deliver services that meet the needs of rural communities today and in the longer term.</p> <p>It will consider the strategic approach of councils, engagement of partner organisations and the public in planning services and if councils are effectively integrating services to ensure they are making best use of resources in continuing to deliver services?</p>	Cardiff is not included in this review.	September 2018

National Studies Update		
Item no.	Project	Update
15	Emergency Ambulance Services Commissioning	Published 2 Aug 2017. <a href="#">Link</a> to published report
16	The 21 <sup>st</sup> Century Schools and Education Programme	Published 25 May 2017. <a href="#">Link</a> to Published Report
17	Waste management	Recycling module (clearance); waste prevention and waste treatment infrastructure modules (drafting)
18	Public procurement (including development of the National Procurement Service)	Published 17 October 2017. <a href="#">Link</a> to published report
19	Implementation of the NHS Finances (Wales) Act 2014 (integrated medium term planning)	Published July 2017. <a href="#">Link</a> to published report
20	Welsh Government financial support for Carmarthenshire Energy Ltd	Published July 2017. <a href="#">Link</a> to published report
21	Supporting people programme	Published 31 August 2017. <a href="#">Link</a> to published report
22	NHS Wales informatics services	Published 10 January 2018. <a href="#">Link</a> to published report
23	Access to public services with the support of specialist interpretation and translation	Drafting
24	Fiscal devolution in Wales	Published December 2017. <a href="#">Link</a> to published report
25	Early intervention and public behaviour change	Drafting
26	Welsh Government business finance	Drafting (phase 1)
27	Primary care	Drafting (phase 1) – local audit work to follow
28	Youth services	Fieldwork
29	Rural Development Programme 2014-2020	Drafting
30	European Structural Funds Programme 2014-2020	Fieldwork
31	Integrated Care Fund	Scoping
32	Care experienced children and young people – audit work to support ongoing Public Accounts Committee inquiry	Scoping
33	Intermediate Care Fund	Scoping

**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD**

**AUDIT COMMITTEE:**

**30 January 2018**

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**TREASURY PERFORMANCE REPORT – POSITION AT 31  
DECEMBER 2017**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 10.1**

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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.**

**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 31 December 2017.

**Background**

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

**Performance**

4. At 31 December 2017, investments total £50 million. This includes £8 million, which is currently being separately identified for Treasury Management purposes in relation to Grant received by Cardiff Council as accountable body on behalf of the Capital Cardiff Region City Deal. The budgeted level of interest receivable from treasury investments in 2017/18 is £360,000. Cash outflows towards the end of December were greater than anticipated, necessitating temporary borrowing of £4 million to cover the weekend period.
5. Borrowing is £674.4 million, with the average rate being 4.71%. The total interest forecast to be payable is projected at £31.8 million for 2017/18.
6. The projected level of internal borrowing at 31 March 2018 is £66 million. This is dependent on capital expenditure in the year as well as the way in which that expenditure is to be paid for.

## Investments

7. Pages 2 and 3 of the Performance Report 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.
8. 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.
9. 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.
10. 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

11. Since the October 2017 performance report a £2.5 million interest free loans from Salix has been received in relation to a scheme to implement LED lighting on principal roads.
12. Whilst interest rates for investments remain low, borrowing will be deferred as this allows short term savings to be made. Current assumptions are that circa £20 million of the Council's borrowing requirement would be taken in the last quarter of this financial year.

## Reason for Report

13. To provide Audit Committee Members with a performance position statement at 31 December 2017.

## Legal Implications

14. No direct legal implications arise from this report.

## **Financial Implications**

15. 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 that 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**

16. That the Treasury Performance Report for 31 December 2017 be noted.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
**20 January 2018**

*The following appendix is attached*

Appendix 1 – Cardiff Council Treasury Management Performance Report – 31 December 2017

Mae'r dudalen hon yn wag yn fwriadol

Yn rhinwedd paragraff (au) 14, 21 Rhan (nau) 4 a 5 o Atodlen 12A  
o Ddeddf Llywodraeth Leol 1972.

Document is Restricted

Mae'r dudalen hon yn wag yn fwriadol



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**DRAFT TREASURY MANAGEMENT STRATEGY 2018/19**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 10.2**

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**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 draft Treasury Management Strategy for 2018/19.

**Background**

3. The proposed strategy for 2018/19 is required to be approved as part of the Budget Report to Council in February 2018. The strategy is attached for Committee to review at Appendix 1.

**The Strategy**

4. The strategy covers the following areas:-
  - Changes in the Treasury Management Code in 2017
  - The current treasury position.
  - Economic background and prospects for interest rates.
  - Capital Programme Plan and Capital Financing Requirement (CFR)
  - Borrowing, including:-
    - Policy
    - Annual Minimum Revenue Provision (MRP) Policy Statement
    - Council borrowing requirement and choice between internal and external borrowing and
    - Borrowing Strategy
  - Treasury management indicators and limits for 2018/19 to 2020/21
  - Treasury investment policy and strategy, including security and investments approved for use.
  - Non Treasury investments
  - Training.
5. It should be noted by the Committee that many of the indicators are dependant on the final Capital Programme which will only be determined at

Council in February 2018. However, there are unlikely to be significant changes in the proposed Capital Programme.

**6. The main points to note in the strategy are:-**

- It is a single integrated strategy for the Council as a whole rather than separate strategies for the Housing Revenue Account and the Council's General Fund. The Council maintains a single pool of debt
- The Strategy takes into account the 2017 update to the CIPFA Treasury Management Code and existing Welsh Government guidance on investments
- The medium term shows an increase in the Council's underlying need to borrow to meet additional capital expenditure commitments proposed to be approved including, additional borrowing to invest in the condition of assets, the Council's contribution to City Deal and also 21<sup>st</sup> Century Schools Band B.
- Retention of the approach to provision for debt repayment as previously considered by Audit Committee in November 2016
- The timing of borrowing decisions, associated risks and financial implications will be important in order to achieve a balance between using temporary cash balances held (internal borrowing) in the short term or external borrowing. The Strategy proposes that given the higher level of borrowing rates compared to investment rates, the Council continues to use internal borrowing in the short term, limited to 10% of the capital financing requirement
- HRA debt as measured by Capital Financing Requirement is within the agreed debt cap
- The priority for Treasury investments is security, liquidity then yield, with the Strategy retaining the potential use of a range of investment options to increase diversification where possible. Joint committee temporary cash will be managed within criteria and parameters set out in the strategy
- Interest rates on investments are likely to remain low, with borrowing costs forecast to rise
- Strong credit criteria are set for investments undertaken by the Council based on Fitch Credit Criteria
- The Markets in Financial Instruments Directive (MiFID II) was implemented from 3 January 2018. Where requested by counterparties to do so, the Council has opted up to be classed as a 'professional' client following the submission of qualitative and quantitative information on its treasury activities.
- The Strategy applies from the date of approval by Council
- The Council is progressing significant capital projects which could have significant Treasury Management Implications The impact on the Council as a result of these schemes and governance arrangements in place to deliver them will need to be closely monitored to ensure no adverse financial implications for the Council.

### **Reason for Report**

7. To note the proposed Treasury Management Strategy for 2018/19 and provide any comments as necessary that can be factored into the final document.

### **Legal Implications**

8. No direct legal implications arise from this report.

### **Financial Implications**

9. The Treasury Management Strategy does have financial implications which will need to be consistent with and form part of the budget proposals for 2018/19 and Medium Term Financial Plan to be considered by Council in February 2018

### **RECOMMENDATIONS**

10. Audit Committee to note the proposed Treasury Management Strategy for 2018/19 and provide comments as necessary with any amendments being considered for inclusion in the final Strategy which will be considered by Cabinet prior to approval by Council as part of the 2018/19 Budget Proposals Report.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
**20 January 2018**

*The following appendices are attached*  
Appendix 1 – Draft Treasury Management Strategy 2018/19

Mae'r dudalen hon yn wag yn fwriadol

# Treasury Management Strategy

10.2 Appendix 1

Cardiff Council Draft 2018/19



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## Treasury Management

1. The Council carries out its treasury management activities in accordance with a Treasury Management Code of Practice for public services, updated by CIPFA in 2017. This requires the Council to set out the policies and objectives of its treasury management activities and adopt four Clauses of Treasury Management. These were formally adopted by the Council in February 2010. Appendix 1 includes a glossary of terms used in this strategy.

2. CIPFA has adopted the following as its definition of treasury management activities:

*The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.*

3. This definition is intended to apply to all public service organisations in their use of capital and project financings, borrowings and all investments.

4. The Council's Audit Committee undertakes scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices. Reports produced in relation to the Council's treasury management activities include a strategy at the start of the year, performance reports during the year, a mid year report and an outturn report.

## CIPFA Treasury Management Code update 2017

5. CIPFA have made two main changes to the Code in 2017 and expect these to be fully implemented by April 2019, if not earlier.

- Minor changes to the treasury indicators which were initially developed in 2004
- Clarifying that the definition of 'Investments' above includes:-
  - Treasury Management investments (as historically included in this Strategy, as well as
  - investments made for policy reasons and managed outside of normal treasury management activity.

6. The latter change is primarily in response to increasing commercialisation activities undertaken by Local authorities. Examples of investments made for policy reasons and managed outside of normal treasury management activity include:-

- 'service investments' held in the course of provision and for the purposes of operational services
- 'commercial investments' which are taken mainly for financial reasons. These may be shares and loans in business structures e.g. subsidiaries; investments explicitly taken with the aim of making a

financial surplus for the Council; non financial assets such as investment properties held primarily for financial benefit.

7. Where, in addition to treasury management investment activity, organisations invest in other financial assets and property primarily for financial return, the Code requires that these investments should be proportional to the level of resources available to the organisation and the organisation should ensure that robust procedures for the consideration of risk and return are applied to these decisions.
8. The Code requires that all investments have an appropriate investment management and risk management framework. This includes making it explicit in any decision making:-
  - the powers under which investment is made
  - the governance process including arrangements in place to ensure appropriate due diligence to support decision making
  - the extent to which capital invested is placed at risk
  - the impact of potential losses on financial sustainability
  - the methodology and criteria for assessing performance and monitoring process
  - how knowledge and skills in managing such investments is arranged and that these are monitored, reported and highlighted explicitly in the decision making process and due diligence.
9. The most significant investments currently held by the Council and managed outside of normal treasury management activity are the Council's 100% shareholding in Cardiff Bus and the Council's Investment Properties, which include various freeholds within the City held for income generation or capital appreciation.
10. The Council will need to consider this change in the Code during 2018/19 when considering any new proposals for non treasury investments as well as any updates to existing strategies, practices and reporting such as in the Statement of Accounts.
11. It will be recommended that Council adopt the practices for Non Treasury Investments identified in a separate section of the Treasury Management Strategy below.

### **Treasury Management Strategy**

12. The Strategy links plans for capital investment, financing and affordability of those plans as well as how cash will be safely managed to meet the Council's financial commitments and objectives.
13. The Council accepts that no treasury management activity is without risk. However the overriding objective is to minimise the risk of adverse consequences or loss, whilst at the same time not unduly constraining investment returns or unnecessarily incurring interest costs.



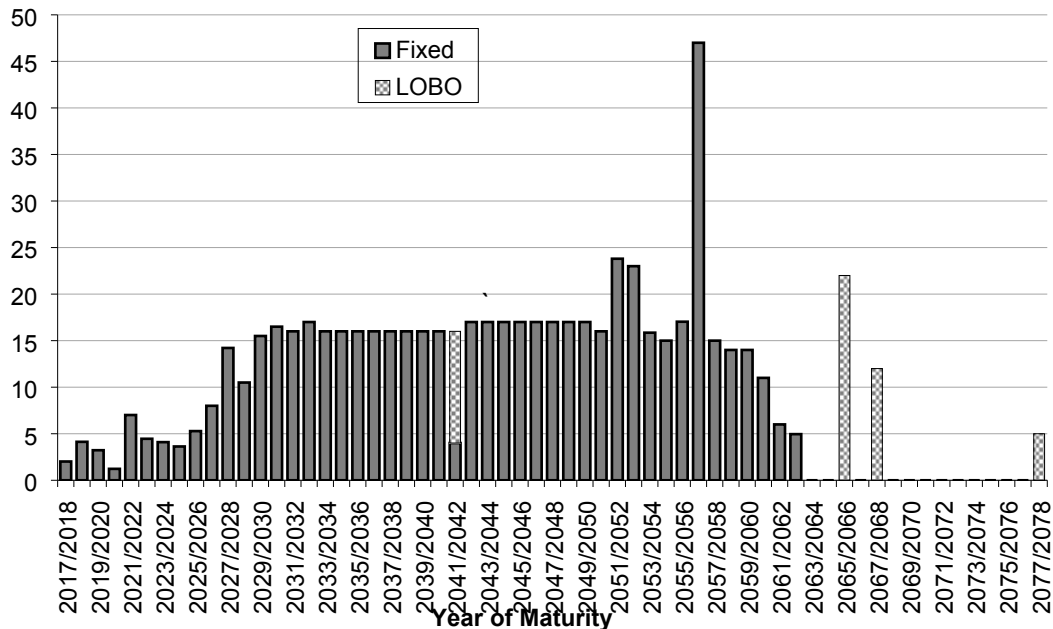
14. The identification, monitoring and control of risk are integral elements of treasury management activities with risks including credit and counterparty, liquidity, interest rate, refinancing, fraud and regulatory. The Council has Treasury Management Practices to address and mitigate these risks which were updated in March 2017 following a review by Internal Audit and Audit Committee.
15. Responsibility for treasury decisions ultimately remains with the Council however, the Council recognises the value in the use of treasury advisors to support the management of risk and to access specialist skills and resources. Support provided by Link Asset Services includes advice on timing of decision making, training, credit updates, economic forecasts, research, articles and advice on capital finance.
16. The proposed strategy is an integrated strategy for the Council including the Housing Revenue Account (HRA). Significant changes will be reported in future scheduled reports to Council, Cabinet and Audit Committee during the course of the year. The strategy includes: -
  - the current treasury position
  - economic background and prospects for interest rates
  - borrowing, including: -
    - Policy
    - annual Minimum Revenue Provision (MRP) Policy Statement
    - Council borrowing requirement based on its capital expenditure plans and choice between internal and external borrowing and
    - Borrowing Strategy
  - treasury management indicators and limits for 2018/19 to 2020/21
  - investment policy and strategy, including security and investments approved for use
  - training.

### **The Treasury Position**

17. Borrowing and investments as at 31 December 2017 are shown in the following table. Borrowing is predominantly made up of fixed interest rate loans payable on maturity. Investments fluctuate daily and are represented by fixed term deposits, notice deposit accounts and money market funds. These balances arise due to the timing of cash flows and working capital as well as the existence of reserves, provisions and balances required for future use.

	31 December 2016		31 December 2017	
	Principal	Average	Principal	Average
	£m	Rate %	£m	Rate %
<b>External Borrowing</b>				
- Public Works Loan Board	620.8	4.9	613.8	4.8
- Market Loans	51.0	4.0	51.0	4.0
- Welsh government	2.6	-	4.5	-
- Other	0.9	-	5.1	-
<b>Total Debt</b>	<b>675.3</b>	<b>4.78</b>	<b>674.4</b>	<b>4.71</b>
<b>Treasury Investments (net)</b>	<b>75.1</b>	<b>0.61</b>	<b>46.0</b>	<b>0.53</b>

18. The Council's current debt maturity profile is shown in the following graph on the assumption that all loans run to their final maturity.



19. Loan maturities during 2018/19 are circa £4 million. Unless the Council's Lender Option Borrower Option (LOBO) loans are required to be repaid early, very little debt matures within the next 10 years. LOBO products are loans to the Council where the lender can request a change in the rate of interest payable by the Council on pre-determined dates. The Council at this point has the option to repay the loan. The Council has six such loans totalling £51 million.

20. Apart from the option to increase rates these loans are comparable to PWLB loans and have no other complications such as variation in interest rates or complex terms. Interest rates on these loans range between 3.81% and 4.35% and are below the Council's average rate of interest payable. Details of the loans are shown in the next table.

<b>Lender Option Borrower Option (LOBO) Loans</b>			
<b>Potential Next Repayment Date</b>	<b>Loan Value £m</b>	<b>Option Frequency Every</b>	<b>Full Term Maturity Date</b>
01/03/2018	6	6 months	23/05/2067
21/05/2018	6	6 months	21/11/2041
21/05/2018	6	6 months	21/11/2041
21/05/2018	6	6 months	23/05/2067
21/11/2020	22	5 years	23/11/2065
15/01/2023	5	5 years	17/01/2078

21. It should be noted that £24 million of the LOBO loans are currently subject to the lender potentially requesting a change in the rate of interest payable every six months. A further £22 million and £5 million have call options in November 2020 and January 2023 respectively and every five years thereafter. The likelihood of a request for an increase in rate is negligible, with options for early repayment not financially viable due to penalties.

### **Economic background and prospects for Interest Rates**

22. The following table gives the Council's treasury management advisor's latest forecast of interest rates taking into account the 20 basis point certainty rate reduction available for PWLB loans to eligible local authorities. It is a central forecast, acknowledging for example that the bank rate may rise sooner if there are sustained and robust UK growth, employment and inflation expectations.

	Actual 31/12/2017	March 2018	March 2019	March 2020	March 2021
Bank Rate	0.50%	0.50%	0.75%	1.00%	1.25%
5yr PWLB rate	1.56%	1.60%	1.80%	2.10%	2.30%
10yr PWLB rate	2.06%	2.20%	2.50%	2.70%	3.00%
25yr PWLB rate	2.65%	2.90%	3.10%	3.40%	3.60%
50yr PWLB rate	2.38%	2.60%	2.90%	3.20%	3.40%

Forecast at November 2017

23. Economic and interest rate forecasting remains difficult with so many external influences on the UK economy. Growth and consumer confidence for the UK economy was weak in 2017 due to inflation, following devaluation of sterling and reducing disposable incomes. Growth and inflation are two key factors used by the Bank of England in determining when to change interest rates.
24. One area of risk being considered by the Bank of England is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. This is why forward guidance from the Bank of England during the year continued to emphasise slow and gradual increases in Bank Rate in the coming years. The bank rate increased by 0.25% to 0.50% on 2 November 2017 removing the emergency cut in

August 2016 after the EU referendum. Forward guidance indicates increases in Bank rate only twice more, by 0.25% each time to end at 1.00% by 2020. Another risk is that central banks also need to consider the timing and strength of reversing the quantitative easing which was undertaken to inject liquidity into economies after 2008. There are concerns that economic growth has been too reliant on this stimulus resulting in a search for returns on riskier financial assets. The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms and timetable for Brexit.

25. Investment returns are likely to remain low during 2018 and gently rise over the next few years. The approach of deferring external borrowing by using temporary cash balances has served well over the last few years. However, caution should be adopted to avoid incurring higher borrowing costs in the future when new borrowing is unavoidable.
26. Gilt yields and therefore PWLB rates can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period above.
27. Downside risks to PWLB rates would include:
  - Bank of England raises Bank Rate quicker than anticipated causing UK economic growth and increases in inflation, to be weaker than anticipated.
  - Geopolitical risks in Asia, Europe and the Middle East, which could lead to increasing safe haven flows to the UK.
  - Re-emergence of the Eurozone sovereign debt crisis due to its high level of government debt, low rate of economic growth and vulnerable banking system.
  - Rising protectionism.
  - A sharp downturn in the global economy.
28. The potential for upside risks especially for longer term PWLB rates include:
  - The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy.
  - UK inflation returning to sustained significantly higher levels.
  - Increases in the pace and strength of reversal of Quantitative Easing.

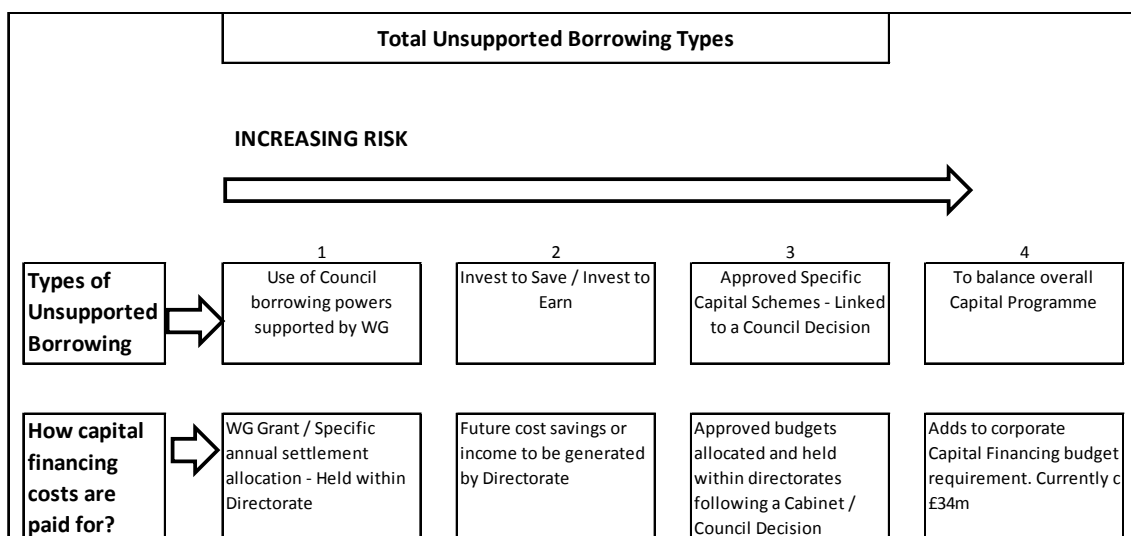
### **Capital Programme Plan and Capital Financing Requirement (CFR)**

29. The detailed capital programme will be approved as part of the Budget Proposals in February 2018. Capital Expenditure commitments and pressures include:

- Ensuring a sustainable property asset base which is fit to deliver service improvements.
- Meeting the aspirations of directorates to invest in existing assets or to create new capital assets in order to improve service delivery and meet pressures of increasing demand.
- The need to maintain the highway and associated infrastructure such as roads, traffic signals, bridges, street lighting and address the backlog of repairs to avoid higher costs in future.
- To continue supporting annual commitments and meet mandatory investment in services such as disabled adaptations, while Welsh Government General Capital Funding has been reduced.
- Meeting the economic development, regeneration, employment and capital city aspirations of Cardiff and the region.
- Requirement for capital investment to meet savings targets, to generate income, to reshape the way services are delivered.
- Implementing the Council's 21<sup>st</sup> century schools investment programme by completion of band A and securing match funding for Band B.
- Meeting expenditure commitments pending the generation of capital receipts.
- Sustaining Public Housing Welsh Quality Standards and investment in creation of new Council Housing as part of the Housing Partnership programme.

30. There are two main types of borrowing to pay for capital expenditure: -

- 'Supported Borrowing' - costs of servicing are included within the annual Revenue Support Grant (RSG) the Council receives from Welsh Government.
- 'Unsupported Borrowing' – costs of servicing to be met by the Council from Council tax, savings, additional income or sale of assets. The types of unsupported borrowing typically undertaken by the Council and how capital financing costs are paid for are shown in the next diagram.



31. Where capital expenditure has been incurred without a resource to pay for it immediately e.g. via capital receipts, grants or other contributions, this will increase what is termed the Council's Capital Financing Requirement (CFR). The Council is required to make annually, a prudent provision for the repayment of historic capital expenditure from its revenue budget. This reduces the CFR. Calculation of the CFR is summarised in the table below.

	Opening Capital Financing Requirement (CFR)
+	Capital Expenditure incurred in Year
-	Grants, Contributions, reserves and receipts received to pay for capital expenditure
-	Prudent Minimum Revenue Provision & Voluntary Repayment
=	Closing Capital Financing Requirement (CFR)

32. It is the Capital Financing Requirement that results in the need to borrow money. The actual CFR as at 31 March 2017 and estimates for current and future years are shown below:

<b>Capital Financing Requirement as at 31 March</b>					
	<b>2017 Actual £m</b>	<b>2018 Estimate £m</b>	<b>2019 Estimate £m</b>	<b>2020 Estimate £m</b>	<b>2021 Estimate £m</b>
General Fund	450	487	499	497	521
HRA	274	271	296	292	296
<b>Total</b>	<b>724</b>	<b>758</b>	<b>795</b>	<b>789</b>	<b>817</b>

33. The timing of capital expenditure, capital receipts and new schemes that may be considered for approval in future years are risks to the CFR forecast, however summarising the above, it can be seen that the Council's underlying need to borrow is increasing. This will eventually need to be paid for by revenue savings, revenue income, Council Tax or Housing Rents.
34. As the Council realigns itself strategically to lower funding levels it needs to consider the level of debt, potential financial resilience and Wellbeing and Future Generations (Wales) Act 2015 issues that may be a consequence of increasing borrowing. General Fund Capital financing costs as a percentage of controllable budget, which are committed in the long term, are increasing. Even if they remain static, they will account for a greater proportion of the Council's revenue base budget. This will be a factor considered by Members when determining the current and future capital programme along with: -
- The Prudential Indicators highlighting longer term impact of capital decisions on the revenue budget and affordability, prudence and sustainability
  - The timing and certainty of any receipts assumed from asset sales
  - Determining core areas of long term investment e.g. Maximum exposure limits to unsupported borrowing for 'Discretionary' type services
  - Whether the inherent risks in a project are better managed via commercial options rather than direct Council investment

## **Borrowing**

### **Borrowing Policy**

35. Borrowing to pay for capital investment has long-term financial consequences and risks, with decisions taken many years ago impacting currently and in the future in the form of interest and provision for repayment of capital expenditure. These costs are assumed in the Council's revenue budget.
36. Loans are not generally undertaken for specific schemes or directorates; they are pooled and taken in the name of the Council and secured on all revenues of the Council.
37. The Council's Borrowing Strategy for 2018/19 and the capital financing revenue budgets included in the MTFP will consider all options to meet the long-term aims of:
  - promoting revenue cost stability to aid financial planning and avoid a stop-start approach to service delivery, although it is recognised that this may have a financial impact
  - pooling borrowing and investments to ensure the whole Council shares the risks and rewards of treasury activities
  - ensuring borrowing plans are aligned to known capital expenditure spending plans and financial reserve levels and are also consistent with the prudent provision for the repayment of any capital expenditure paid for by borrowing
  - achieving a balanced maturity profile
  - having regard to the effects on current and future Council Tax and Rent Payers.
38. The Council does not intend to borrow in advance of need and will not do so just to gain financially. However, this option may be considered if it is felt that borrowing in advance allows opportunities to lock into favourable long-term rates. This will be limited to no more than the expected increase in the Council's borrowing requirement over a three year period.

### **Prudent Repayment of Capital Expenditure – Annual Minimum Revenue Provision (MRP) Policy Statement for 2018/19**

39. The Council has a statutory duty to calculate and set aside each year from its revenue budget an amount 'which it considers to be prudent'. This results in a reduction in the Council's underlying need to borrow known as the Capital Financing Requirement (CFR).
40. Legislation does not define what constitutes a 'prudent provision'. Instead WG has provided guidance and examples in order to interpret that term.
41. A statement on the Council's policy for its annual MRP is required to be submitted to full Council for approval before the start of the financial year to which the provision will relate. Decisions in respect of the allocation of

MRP have short, medium and very long term impacts. Impacts of changes in policy decisions should be considered over that time horizon including compliance with legal duties under the Well-being of Future Generations (Wales) Act 2015.

42. The proposed policy is included in Appendix 2 to this paper and it remains as considered by Audit Committee in November 2016.

### Council's Borrowing Requirement

43. The following table shows the level of external borrowing currently held by the Council, includes an assumption of £20m of external borrowing to be undertaken in March 2018 and highlights scheduled loan repayments. It compares this to the projected CFR based on current, known estimates and timing of the Council's capital expenditure and funding plans. The difference between the projected CFR in 2020/21 (£817 million) and the level of external borrowing after any planned repayments (£684 million) is £133 million, i.e. there is a requirement for the Council to undertake borrowing over the medium term.

<b>Gross Debt compared to Capital Financing Requirement</b>					
	<b>2016/17 Actual £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>	<b>2020/21 Estimate £m</b>
External borrowing at 1 April	666	674	692	688	685
Known / New borrowing	15	25	tbc	Tbc	tbc
Scheduled repayments	(7)	(7)	(4)	(3)	(1)
<b>External Borrowing at 31 March</b>	<b>674</b>	<b>692</b>	<b>688</b>	<b>685</b>	<b>684</b>
Capital Financing Requirement*	724	758	795	789	817
<b>Under / (Over) borrowing requirement</b>	<b>50</b>	<b>66</b>	<b>107</b>	<b>104</b>	<b>133</b>
<b>Requirement as % of CFR</b>	<b>6.9%</b>	<b>8.7%</b>	<b>13.5%</b>	<b>13.1%</b>	<b>16.3%</b>

\* Excludes landfill provisions

### External versus Internal Borrowing

44. Whilst interest rates for borrowing are greater than interest rates the Council receives for investments (the cost of carry), it makes financial sense to use any internal cash balances held in the short-term to pay for capital expenditure and minimise costs (Internal Borrowing), rather than undertake external borrowing. However, there is a risk that the Council may have to borrow at higher rates when it does actually need to borrow in future and so this position is kept under continuous review.
45. A high level balance sheet review undertaken suggests that a maximum level of internal borrowing is circa £80 million (10% of the 2018/19 CFR), meaning that the Council would have to take additional external borrowing



in 2018/19 and in future years. However, this is dependent on cash flows, the timing of use of earmarked reserves and provisions and longer term pressures in the MTFP.

46. Whilst having regard to the risks of comparison, the Council and its advisors have undertaken benchmarking of internal borrowing levels of their other Local Authority clients. For Welsh Unitary Authorities in 2016/17, internal borrowing averaged 11.3% of their Capital Financing Requirement; for English Unitary Authorities it was 20.9% and 13.5% for all Authority clients.

### **Borrowing Strategy**

47. In the short term, using internal borrowing to meet the CFR is deemed manageable. However, based on the current forecasts of capital expenditure plans and high level analysis of the sustainability of internal borrowing from the Council's balance sheet position for future years, external borrowing will be required to be undertaken in the very short term.
48. Given the risks within the economic forecasts setting a fixed target for the quantum and timing of borrowing is not deemed appropriate. A pragmatic approach will be adopted by the S151 Officer due to changing circumstances with the following strategy proposed to manage the Council's Capital Financing Requirement:-
- £20m external borrowing to be undertaken in March 2018
  - Whilst investment rates remain lower than long term borrowing rates internal borrowing will be used to minimise short-term costs where possible.
  - In order to mitigate against the risk of borrowing rates rising faster than currently anticipated, external borrowing (short medium and long term) for an element of the Council's borrowing requirement will be taken as has been done in previous years. This will aim to keep internal borrowing to approximately 10% or less of the forecast Capital Financing Requirement for 2018/19.
  - Any external borrowing will consider the balance between fixed rates and variable rates to meet the long term borrowing policy aims identified in this report previously. Fixed rates would be taken if the borrowing need is high and rates are likely to increase, and conversely variable rates, if any borrowing need is temporary and rates are likely to fall.
49. If there was a significant risk of a sharp rise in long and medium-term rates than that currently forecast, then fixed rate borrowing may be undertaken whilst rates were still comparatively lower. If there was a significant risk of a sharp fall in rates, then long-medium term borrowing would be deferred, following consideration of internal borrowing capacity.
50. Current interest rates on the Council's existing debt portfolio compared to new borrowing rates and the high penalty rates charged by the PWLB for early debt repayment, results in limited options for restructuring of debt. Options have been considered but these have resulted in very short term financial gains outweighed by the risk of higher longer term costs.

## Treasury Management Indicators and Limits

### Indicators and Limits for 2018/19 – 2020/21

51. The Council is required to set its treasury management indicators for the years 2018/19 - 2020/21. Appendix 3 to this paper gives further background in respect of the Prudential Indicators.
52. The Council must set and keep under review how much it can afford to borrow from debt or other long-term liabilities for the forthcoming year and the following two financial years (the Affordable Borrowing Limit). It must have regard to the Prudential Code and locally determined indicators when setting this limit and be content that the impact upon future Council Tax payers and Council tenants is acceptable.
53. It is recommended that the Council approve the following authorised limits (Statutory limit under Section 3(1) of the Local Government Act 2003) and operational boundaries for the next three years (figures for 2017/18 are for comparison only). The undertaking of other long-term liabilities, within the overall limit, is delegated to the Section 151 Officer based on the outcome of financial option appraisals and best value considerations.

#### Authorised limit for external debt

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Limit for external borrowing and other long-term liabilities	776	836	836	836

54. This limit is consistent with proposals contained within the budget for capital expenditure, financing and accounting requirements in relation to landfill obligations. The overall limit for the Council has been set at a constant level of £836 million for 2018/19 to 2020/21. It has increased from 2017/18 primarily as a result of increases in the capital programme commitments to be approved in the budget including the Cardiff City Region City Deal and the 21<sup>st</sup> Century Schools Band B investment programme.
55. Whilst there is currently no self-imposed or nationally imposed overall cap on the level of General Fund borrowing, there is a cap for the HRA which is based on its CFR, with financial penalties from WG if breached. The table below shows the Council is forecast to be within the cap currently set, however discussions are taking place with WG to determine how the Council's cap can be increased in the medium term as part of a scheduled review in 2018/19 to allow further development of new council houses.

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
HRA CFR forecast at 31 March	271	296	292	296
HRA CFR Current Cap	316	316	316	316
<b>Headroom / (Excess)</b>	<b>45</b>	<b>20</b>	<b>24</b>	<b>20</b>

56. The HRA thirty-year business plan will need to be monitored closely in order to ensure that any risks to the breach of the Cap and any unsupported borrowing is prioritised for investment in assets, remains affordable and sustainable in the long term.

### Operational boundary for external debt

57. The proposed operational boundary or projected level of external debt (excluding landfill) is set at the anticipated level of the CFR at the end of each year. This will be subject to the level and timing of borrowing decisions.

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Boundary for external borrowing and other long-term liabilities	692	795	789	817

58. The Council's actual external debt represented by borrowing at 31 March 2017 was £674 million, with no significant other long-term liabilities.

### Maturity structure of borrowing

59. Limits are set to guard against a large element of the Council's debt maturing and having to be refinanced in a very short space of time, when it may not be economically favourable to do so. The limits have been set to reflect the current debt portfolio, and to allow enough flexibility to enable new borrowing to be undertaken for the optimum period. The table assumes that loans run to their final maturity, however a separate column is also included to show the maturity profile should the Council repay its LOBO loans early.

Maturity structure of borrowing in 2018/19	Upper limit %	Lower limit %	Actual to Maturity %	Actual if LOBOs Repaid Early %
Under 12 months	10	0	0.62	4.19
12 months and within 24 months	10	0	0.48	0.48
24 months and within 5 years	15	0	1.89	5.90
5 years and within 10 years	20	0	5.24	5.24
10 years and within 20 years	30	0	23.12	23.12
20 years and within 30 years	35	0	24.69	22.90
30 years and within 40 years	35	0	30.74	30.74
40 years and within 50 years	35	0	12.48	7.43
50 years and within 60 years	15	0	0.74	0.00
60 years and within 70 years	5	0	0.00	0.00

## **Treasury Management Investments**

### **Policy**

60. The Council has regard to the WG Guidance on Investments issued in 2004 and its subsequent amendments, as well as the CIPFA Treasury Management Code. The Council's investments include those arising from its own temporary cash balances as well as balances held from the activities of Joint Committees for which it is accountable body.
61. The Council recognises that given the nature of investments, a trade-off between security, liquidity and yield cannot be avoided i.e. there is risk of default. The Council will aim to achieve the optimum return on investments commensurate with proper levels of security and liquidity, however the level of risk will be contained by ensuring: -
- all investments and repayments are in sterling
  - investment instruments identified for use in the financial year are listed under 'Specified' investments and 'Non-Specified' investment categories, dependant on their complexity and risk
  - a list of highly credit worthy counterparties with whom to invest is created and monitored
  - diversification of approach, investment product and counterparties are sought where possible to avoid concentration of risk
  - any set limits are implemented with immediate effect following approval of this Treasury Management Strategy by the Council
  - continual monitoring of treasury activities with the categories of investments that may be used, the credit criteria and associated limits in determining with whom to invest and timing of decisions being delegated to the Section 151 Officer.
62. The Markets in Financial Instruments Directive (MiFID II) was implemented from 3 January 2018. Where requested by counterparties to do so, the Council has opted up to be classed as a 'professional' client following the submission of qualitative and quantitative information on its treasury activities.

### **Specified Investments**

63. A specified investment is defined as one:
- being for a period up to one year.
  - which is in straightforward easily understood low risk products.
  - not involving corporate share or loan capital.
  - where the principal sum to be repaid at maturity is the same as the initial principal sum invested.
64. Specified investments may comprise up to 100% of the Council's total investments.

<b>Instruments approved for use</b>	<b>Minimum Credit Criteria</b>
Debt Management Agency Deposit Facility	Assumed Government Guarantee
Term deposits – UK government and other Local Authorities	Assumed Government Guarantee
Deposits with the Council's banking services provider	Long-term A /Short-term F1
Term deposits – banks and building societies	Long-term A /Short-term F1 or Government Equity Support
Term deposits with variable rate and variable maturities up to one year e.g. structured investment products	Long-term A /Short-term F1

### **Non-Specified Investments**

65. These are all other investments not meeting the definition of a specified investment which could be used in order to achieve diversification and manage liquidity needs. A maximum upper level of £90 million is to be set for non-specified investments including investments for greater than one year.

<b>Instruments approved for use</b>	<b>Min Credit Criteria</b>	<b>Max % of total investments</b>	<b>Max. maturity period</b>
Term deposits with Local Authorities (with maturities in excess of 1 year)	Assumed Government Guarantee	30	2 Years
Term deposits – banks and building societies (with maturities in excess of 1 year)	Long-term AA- /Short-term F1+	30	2 Years
Deposits over one year with banks wholly or partly nationalised by a high credit rated (sovereign rating) country	Government equity support	30	2 Years
Term deposits with variable rate and variable maturities in excess of 1 year e.g. structured investment products	Long-term AA- /Short-term F1+	10	2 Years
Certificates of Deposit (In-house)	Long-term AA- /Short-term F1+	10	Maximum 2 year duration
UK Government Gilts and Gilt funds (In-house)	Assumed Government Guarantee	40	Maximum 3 year duration
Treasury Bills (In-house)	Assumed Government Guarantee	40	6 months
Collective Investment Scheme structures - Money Market Funds	AAA	100	Liquid
Other Collective Investment Schemes structures - e.g. enhanced cash funds, Government and Corporate Bond, Gilt or Liquidity Funds and floating rate notes	AAA Variable Net Asset Value	20	Weighted Average Maturity 3 years

66. The Council uses money market funds and other collective investment funds which pool together investments in a diversified portfolio of products and sectors. These may include short-term money market instruments such as bank deposits, certificates of deposit, government guaranteed bonds, corporate bonds and commercial paper. It should be noted that any such funds are triple A rated and allow instant access.

## Security

67. Credit and fraud risk are managed through procedural requirements and controls. The Council uses Fitch Credit ratings as a basis for assessment of credit worthiness of institutions it will invest with (See Appendix 4) of this paper. Changes in the criteria and decisions with whom to invest are delegated to the Section 151 Officer. Commercial organisations (counterparties) on its approved list will have at least the short-term credit rating of F1 and be authorised institutions within the meaning of the Financial Services and Markets Act 2000. The rating F1 infers “Highest Credit Quality” and indicates the strongest capacity for timely payment of financial commitments.
68. The Council’s lending list for any new direct investment in an organisation is based on the following credit criteria, with the maximum limit for direct investment in any one group of related companies being £12 million :

<b>Fitch Ratings (minimum)</b>	<b>Long-term</b>	<b>Short-term</b>	<b>Limit £m</b>
Overnight to one year	A	F1	10
Overnight to two years	AA-	F1+	12
UK Part Nationalised Banks overnight to two years	n/a	n/a	12

69. Credit ratings are monitored regularly through use of the treasury management advisor’s credit service. If a downgrade results in the counterparty or investment scheme no longer meeting the Council’s criteria, its further use for new investment will be withdrawn immediately.
70. Where investments are held with a counterparty which falls below the Council’s approved criteria for new investment, the investments will be reviewed and options to call back funds before the maturity date would be investigated. It should be noted that any early repayment is only at the discretion of the borrower and often at a penalty.
71. Whilst Fitch ratings form the basis of the Council’s threshold criteria, the Council will also have regard to the following when determining with whom to invest:
- rating updates provided by treasury advisors in respect of all three credit rating agencies, as well as other market data
  - media reports as well as sovereign credit ratings with the minimum requirement being a Fitch sovereign rating of AA- for non UK based institutions

- the informed judgement of treasury staff and treasury management advisors after consideration of wider economic factors
- financial sector and country exposure
- the extent to which organisations who do not meet the above criteria, are nationalised.

## **Liquidity**

72. The Council aims to have sufficient funds to ensure it does not become a forced borrower for a significant period of time at rates in excess of what may be earned on such investments. In determining the maximum periods for which funds may be available and can be invested, short term cash flow forecasts are undertaken and a longer term balance sheet review is undertaken as part of the calculation of Prudential Code indicators.

## **Treasury Investment Strategy**

73. The Specified and Non Specified investments above allow for a range of products to be available to manage short term investment balances held by the Council and to achieve diversification. Any funds held by the Council on behalf of joint committees will be managed within the products, criteria and limits set out above.
74. The Investment Strategy for 2018/19 will continue to adapt to changing circumstances and market sentiment, with a pragmatic approach taken. Credit criteria changes are delegated to the Section 151 Officer. This allows a prompt response to uncertainties, with the Council being kept informed of significant changes through the various reports it receives on treasury activities during the course of the year.

## **Non Treasury Investments**

The Council recognises that investment for non-treasury management purposes in other financial assets and property, primarily for financial return, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all the organisation's investments are covered in its capital expenditure strategy, investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments if undertaking such investments.

It is recognised that the risk appetite for these activities may differ from that for treasury management. The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.

## **Treasury Management Training**

75. Treasury staff directly and regularly involved in borrowing and lending activities are provided access to a wide range of training. This includes seminars and workshops organised by treasury advisors bringing together

practitioners from different authorities; seminars organised by CIPFA and other national bodies; regular contact with a client relationship manager as well as their briefing notes and articles. Staff responsible for treasury activity on a day to day basis have a recognised accountancy qualification and are encouraged to undertake relevant treasury management training.

76. The Council's Audit Committee Members who are responsible for scrutiny of treasury management activities have also been provided with training and offered one to one training opportunities in order to support their role.



## **APPENDIX 1 - Glossary of Terms**

### **Bank Rate**

The rate of interest set by the Bank of England as a benchmark rate for British banks.

### **Bonds**

A long-term debt security issued by a company, a financial institution, a local authority, national government or its affiliated agencies. It represents an undertaking to repay the holder the fixed amount of the principal on the maturity date plus a specified rate of interest payable either on a regular basis during the bond's life (coupon) or at maturity.

### **Borrowing**

Loans taken out taken out by the authority to pay for capital expenditure or for the prudent management of the Council's financial affairs, which are repayable with interest.

### **Capital Expenditure**

Capital expenditure pays for improvements to existing and new assets used in the delivery of Council services as well as other items determined by Regulation. Capital resources are scarce, costly and also have long term revenue implications over many years and even generations where capital expenditure is funded by borrowing. Hence the requirement of the Prudential Code to ensure what is charged as Capital Expenditure is Prudent, Sustainable and Affordable.

The statutory definition of capital expenditure is given in the Local Government Act 2003, the Local Authorities (Capital Finance) Regulations 2003 and 2004 as amended. Statute relies on the accounting measurement of cost in International Accounting Standard (IAS) 16 to determine whether expenditure is eligible to be capitalised or whether it should be treated as revenue expenditure. Key to what is eligible as capital spend are the following words in IAS 16 - 'Costs directly attributable to bringing the specific asset into working condition for its intended use'.

### **Capital Financing Requirement (CFR)**

An authority's underlying need to borrow for a capital purpose. It measures capital expenditure incurred but not yet financed by the receipt of grants, contributions and charges to the revenue account.

### **Capital Market**

A market for securities (debt or equity), where companies and governments can raise long-term funds (periods greater than one year). The raising of short-term funds takes place on other markets (e.g. the money market).

### **Capital Programme**

The Capital Programme sets out the Council's capital expenditure plans for the forthcoming financial year as well as for the medium term. It is approved annually at Council and identifies the estimated cost of those schemes, their projected phasing over financial years as well as the method of funding such expenditure.

### **Certificates of Deposits (CDs)**

A certificate issued for deposits made at a deposit-taking institution (generally a bank). The bank agrees to pay a fixed interest rate for the specified period of time, and repays the principal at maturity. CDs can be purchased directly from the banking institution or through a securities broker. An active interbank secondary market exists to buy and sell CDs.

### **Chartered Institute of Public Finance & Accountancy (CIPFA)**

CIPFA is the professional body for people in public finance. As a specialised public services body, they provide information, guidance, and determine accounting standards and reporting standards to be followed by Local Government.

### **Collective Investment Scheme Structures**

Schemes whereby monies from a number of investors are pooled and invested as one portfolio in accordance with pre-determined objectives.

### **Corporate Bonds**

Bonds that are issued by a company or other non-government issuers. They represent a form of corporate debt finance and are an alternative means of raising new capital other than equity finance or bank lending.

### **Counterparty**

One of the parties involved in a financial transaction with whom the Council may place investments.

### **Counterparty / Credit Risk**

Risk that a counterparty fails to meet its contractual obligations to the Council to repay sums invested.

### **Credit Criteria**

The parameters used as a starting point in considering with whom the Council may place investments, aimed at ensuring the security of the sums invested.

### **Credit Default Swaps**

A financial transaction which the buyer transfers the credit risk related to a debt security to the seller, who receives a series of fees for assuming this risk. The levels of fees reflect the perceived level of risk.

### **Credit Rating**

A credit rating assesses the credit worthiness of an individual, corporation, or even a country. Credit ratings are calculated from financial history and current assets and liabilities. Typically, a credit rating tells a lender or investor the probability of the subject being able to pay back a loan. Ratings usually consist of a long-term, short term, viability and support indicators. The Fitch credit rating of F1 used by the Council is designated as "Highest Credit quality" and indicates the strongest capacity for timely payment of financial commitments.

### **Debt Management Account Deposit Facility (DMADF)**

The Debt Management Office provides this service as part of its cash management operations and of a wider series of measures designed to improve

local and central government's investment framework and cash management. The key objective of the DMADF is to provide users with a flexible and secure facility to supplement their existing range of investment options while saving interest costs for central government.

### **Debt Restructuring**

Debt restructuring is a process that allows an organisation to reduce, renegotiate and undertake replacement debt.

### **Diversification of Investments**

The process of creating a portfolio of different types of financial instruments with regard to type, price, risk issuer, location, maturity, etc. in order to reduce the overall risk of the portfolio as a whole.

### **Duration (Maturity)**

The length of time between the issue of a security and the date on which it becomes payable.

### **External Borrowing**

Money borrowed from outside of the Council.

### **Financial Instrument**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Typical financial liabilities are borrowing and financial guarantees. Typical financial assets include bank deposits, amounts owed by customers, loans receivable and investments.

### **Fitch Credit Ratings**

A commercial organisation providing an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. The opinion is usually provided in the form of a credit rating.

### **Fixed Rate**

An interest rate that does not change over the life of a loan or other form of credit.

### **Floating Rate Notes**

A money market security paying a floating or variable interest rate, which may incorporate a minimum or floor.

### **Four Clauses of Treasury Management**

In compliance with the First Clause, this Council will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
- Suitable Treasury Management Practices (TMP's), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

In compliance with the Second Clause, this Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy in advance of the year, a mid year review and an annual report after its close, in the form prescribed in its TMP's.

In compliance with the Third Clause, this Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Corporate Director Resources in accordance with existing delegations, who will act in accordance with the organisation's policy statement, TMP's and CIPFA's Standard of Professional Practice on Treasury Management.

In compliance with the Fourth Clause, this Council requires the scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy and Practices to be undertaken by the Council's Audit Committee due to the technical nature of the documents.

### **Fraud / Error Risk**

Risk of losses being incurred as a result of fraud, error or corruption in treasury management and failure to institute adequate systems, procedures and other arrangements to prevent irregularities.

### **Housing Revenue Account (HRA)**

The HRA is an account of expenditure and income that every local authority housing department must keep in accordance with the Local Government & Housing Act 1989. The account is kept separate or ring fenced from other Council activities. Income is primarily generated by the rents and service charges paid by tenants, while expenditure is on the management and maintenance of the housing stock, and capital financing charges on the HRA's outstanding loan debt.

### **Interest Rate Risk**

Risk that fluctuations in interest rates could impose extra costs against which the Council has failed to protect itself adequately.

### **Internal Borrowing**

Money borrowed from within the Council, sourced from temporary internal cash balances.

### **Investments**

The purchase of financial assets in order to receive income and/or make capital gain at a future time, however with the prime concern being security of the initial sum invested.

### **Lender Option Borrower Option Loans (LOBOs)**

Loans to the Council where the lender can request a change in the rate of interest payable by the Council at pre-defined dates and intervals. The council at this point has the option to repay the loan.

### **Liquidity**

The ability of the Council to meet its financial obligations as they fall due.

## **Market Loans**

Borrowing that is sourced from the market i.e. organisations other than the Public Works Loan Board or a Public Body.

## **Medium Term Financial Plan**

Plan outlining the financial strategies and actions that are envisaged by the Council in the medium term regarding the budget.

## **Markets in Financial Instruments Directive (MiFID)**

EU legislation that regulates firms who provide financial instrument services. MiFID was applied in the UK from November 2007, but was revised with changes taking effect from 3 January 2018 (MiFID II).

The aim is to ensure financial institutions undertake more extensive checks on their client's suitability for investment products. Organisations undertaking investments will be either classified as 'retail' or 'professional'.

MiFID II requires all Local Authorities to be initially treated as "retail clients" unless they "opt up" to a "professional client". The assumption being that retail clients require a greater level of due diligence and support for investment decision making. Financial institutions will owe a greater duty of care to retail clients, however, they will have no greater financial protection than professional clients.

## **Minimum Revenue Provision (MRP)**

This is the amount which must be charged to the authority's revenue account each year and set aside as provision for repaying external loans and meeting other credit liabilities. The prudent amount is determined having regard to guidance issued by WG. This has the effect of reducing the Capital Financing Requirement (CFR).

## **Money Market**

The market for short-term securities or investments, such as certificates of deposit, commercial paper or treasury bills, with maturities of up to one year.

## **Money Market Funds**

An investment fund which pools the investments of numerous depositors, spreading those investments over a number of different financial instruments and counterparties. Funds with a constant Net Asset Value (NAV) are those where any sum invested is likely to be the same on maturity. Funds with a variable Net Asset Value (NAV) are those where the sum on maturity could be higher or lower due to movements in the value of the underlying investments.

## **Net Asset Value (NAV)**

The market value of an investment fund's portfolio of securities as measured by the price at which an investor will sell a fund's shares or units.

## **Pooling**

The process whereby investments or loans are held corporately rather than for specific projects or parts of the Council, with recharges to those areas for their share of the relevant income and expenditure using an agreed methodology, where such a recharge is required to be made.

### **Prudential Code for Capital Finance**

The system introduced on 1 April 2004 by Part 1 of the Local Government Act 2003 which allows local authorities to borrow without Government consent, provided that they can afford to service the debt from their own resources and that any such borrowing is prudent and sustainable. This requires the preparation and approval of various indicators.

### **Public Works Loans Board (PWLB)**

The Public Works Loans Board is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

### **Refinancing Risk**

Risk that maturing borrowing or other financing of capital projects cannot be renewed on terms that reflect existing assumptions and that the Council will suffer extra costs as a result.

### **Regulatory Risk**

Risk that actions by the Council or by any person outside of it are in breach of legal powers or regulatory requirements resulting in losses to the Council, or the imposition of extra costs.

### **Security**

Protecting investments from the risk of significant loss, either from a fall in value or from default of a counterparty.

### **Sovereign Credit Ratings**

The credit rating of a country. It indicates the risk level of the investing environment of a country, taking into account political risk and other factors.

### **Sterling**

The monetary unit of the United Kingdom (the British pound).

### **Term Deposits**

A term deposit is a money deposit at a banking institution that cannot be withdrawn for a certain "term" or period of time.

### **Treasury Management**

The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

### **Treasury Bills**

Debt securities issued by a government with a short-term maturity of up to 6 months.

**UK Government Gilts**

Fixed-interest debt securities issued or secured by the British Government. Gilts are always denominated in sterling though the Government occasionally also issues instruments in other currencies in the Eurobond market or elsewhere.

**Variable Rate**

An interest rate that changes in line with market rates.

**Yield**

The annual rate of return paid out on an investment, expressed as a percentage of the current market price of the relevant investment.

## **APPENDIX 2 – Proposed Annual Minimum Revenue Provision (MRP) Policy Statement for 2018/19**

It is proposed that the Council's MRP Policy is as follows, with any change in the level, timing and method of provision in year delegated to the Section 151 Officer.

The broad aim of the 'prudent provision' is to ensure that debt arising from Capital expenditure is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits to service delivery (useful life) or in the case of borrowing supported by the WG, reasonably in line with the period implicit in the determination of any grant.

- Council Fund historic expenditure prior to 1 April 2004 as well as subsequent supported borrowing approved by the WG is to be provided for at 4.0% on a reducing balance basis in 2018/19. This is consistent with the support provided by WG as part of the Revenue Support Grant for Supported borrowing. This approach will continue unless WG change the approach to providing support as part of the RSG formula or any revision to MRP Guidance either in Wales or in England, albeit regular reviews of the position will continue.
- HRA supported borrowing, which was part of the previous housing subsidy system is to be provided for at 2% on a straight line basis. MRP on the significant £187 million settlement buyout payment is to be on 2% straight line basis as a minimum but with voluntary repayments to create headroom against the HRA debt cap for future development and reduce long term costs of servicing debt.
- Additional borrowing for a general increase in investment either in the Council Fund or HRA to balance the Capital Programme in a year is to be provided for on a straight line basis over the estimated average life of the assets created.
- Any additional expenditure linked to specific schemes e.g. Invest to Save, 21st Century Schools etc. is to be provided for on a straight line basis, or over the estimated useful life of assets being created or a shorter period as determined by the Section 151 Officer or suggested periods determined by WG as is the case with Local Government Borrowing Initiative.
- Revenue Provision in excess of the above requirements can be made subject to affordability and following advice of the Section 151 officer.
- Subject to agreement of the S151 Officer, MRP may be waived on expenditure recoverable within a prudent period of time through capital receipts (e.g. land purchases, loan repayments) or deferred to when the benefits from investment are scheduled to begin or when confirmed external grant payments towards that expenditure are expected.
- The MRP charged against liabilities under finance leases, or contracts that have the characteristics of finance leases, shall be equal to the principal element of the lease repayment, calculated on an annual basis.



## **APPENDIX 3 - Prudential Indicators**

### **The Prudential Code**

**The current system of capital finance is CIPFA's Prudential Code.**

It is a professional Code of practice to support the decisions local authorities have to make to plan for capital investment. Originally introduced in 2004, its latest update was in 2017. Authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part I of the Local Government Act 2003 i.e. compliance with the Code is a statutory requirement.

### **Objectives of the Code**

The key objectives of the Code are:-

- To ensure that capital expenditure plans are affordable, prudent and sustainable
- That Treasury Management decisions are taken in accordance with good professional practice
- That local strategic planning, asset management planning and proper option appraisal are supported
- To provide a clear and transparent framework to ensure accountability

### **Required Prudential Indicators**

The indicators required are shown below, with further explanation as to their meaning:

#### **1(a). External Debt - Operational Boundary**

The most likely, prudent view of the level of gross external indebtedness. External debt includes both borrowing and long term liabilities (e.g. finance leases). It encompasses all borrowing, whether for capital or revenue purposes.

#### **1(b). External Debt - The Authorised Limit**

The upper limit on the level of gross external indebtedness, which must not be breached without Council approval. It is the worst-case scenario. It reflects the level of borrowing which, while not desired, could be afforded but may not be sustainable. Any breach must be reported to the executive decision making body, indicating the reason for the breach and the corrective action undertaken or required to be taken.

#### **1(c). External Debt - Actual External Debt**

The indicator for actual external debt will not be directly comparable to the operational boundary and authorised limit, since the actual external debt will reflect the actual position at one point in time.

## **2. Capital Financing Requirement (CFR)**

The Capital Financing requirement (CFR) replaced the 'Credit Ceiling' measure of the 1989, Local Government and Housing Act. It measures an authority's underlying need to borrow or use other long-term liabilities, to pay for capital expenditure.

## **3. Capital Expenditure**

The level of capital expenditure incurred and likely to be incurred in future years. This is to be based on an accruals basis and on the definition of capital expenditure.

## **4. Gross External Borrowing and the Capital Financing Requirement**

The level of external borrowing is required to be compared to the Capital Financing Requirement which represents the underlying need to borrow. Requires that borrowing in the medium term can only be for capital purposes.

## **5. Maturity Structure of Borrowing**

Local Authority debt portfolios consist of a number of loans with differing maturities. Setting limits assists in ensuring any new borrowing in particular when combined with existing borrowing does not result in large concentrations of borrowing maturing in a short period of time.

## **6. Principal sums invested for greater than one year**

This indicator measures the exposure of a local authority to investing for periods of greater than one year.

## **Locally determined Prudential Indicators**

### **7. Ratio of Financing Costs to Net Revenue Budget Stream**

This indicator is a measure of affordability of historic and future capital investment plans. It identifies the trend in the cost of capital financing which include:

- interest payable on borrowing and receivable on investments
- penalties or any benefits receivable on early repayment of debt
- prudent revenue budget provision for repayment of capital expenditure paid for by borrowing
- reimbursement of borrowing costs from directorates in respect of Invest to Save schemes.

For the General Fund, the net revenue stream is the amount to be met from non-specific WG grants and Council Tax, whilst for the HRA it is the amount to be met from rent payers.

## **8. Capital financing costs expressed as a ratio Controllable Budget**

Addresses limitations in the ratio above which:

- does not take into account the fact that some of the Council's revenue budget is non-controllable, delegated or protected
- is impacted by transfers in and out of the settlement
- includes investment income which is highly unpredictable, particularly in future years
- does not reflect gross capital financing costs for schemes where additional borrowing is undertaken to be repaid from within Directorate budgets e.g. invest to save or invest to earn schemes.

Accordingly an additional indicator is developed for the General Fund showing the ratio of capital financing costs of the Council expressed as a percentage of its controllable budget, excluding investment income:

**APPENDIX 4 – Approved list of Counterparties proposed as part of TM Strategy who are authorised to accept sterling deposits in the UK**

	£	Duration
<b>Australia AAA</b>		
Australia and New Zealand Banking Group	12m	2 years
Commonwealth Bank of Australia	12m	2 years
National Australia Bank	12m	2 years
<b>Canada AAA</b>		
Canadian Imperial Bank of Commerce	12m	2 years
Toronto Dominion Bank	12m	2 years
<b>France AA</b>		
Credit Industriel et Commercial	10m	1 year
Societe Generale	10m	1 year
<b>Germany AAA</b>		
DZ Bank (Deutsche Zentral-Genossenschaftsbank)	12m	2 years
<b>Netherlands AAA</b>		
Cooperatieve Rabobank U.A.	12m	2 years
<b>Singapore AAA</b>		
DBS Bank	12m	2 years
Oversea Chinese Banking Corporation	12m	2 years
United Overseas Bank	12m	2 years
<b>Sweden AAA</b>		
Skandinaviska Enskilda Banken	12m	2 years
Svenska Handelsbanken	12m	2 years
<b>Switzerland AAA</b>		
UBS AG	12m	2 years
<b>U.K AA</b>		
Barclays Bank	10m	1 Year
Close Brothers	10m	1 Year
Goldman Sachs International Bank	10m	1 Year
HSBC Bank plc	12m	2 years
Santander UK plc	10m	1 Year
Standard Chartered Bank	10m	1 Year
Bank of Scotland	10m	1 Year
Lloyds Bank	10m	1 Year
Royal Bank of Scotland	12m	2 Years
Coventry BS	10m	1 Year
Nationwide BS	10m	1 Year

UK Local Authority	12m	2 Years
Debt Management Agency Deposit Facility	n/a	6 Months

**Money Market Funds**

BlackRock ICS Sterling Fund	12m	Liquid
Deutsche Managed Sterling Fund	12m	Liquid
Fidelity GBP ICF	12m	Liquid
Goldman Sachs Sterling Reserves Fund	12m	Liquid
Insight Sterling Liquidity Fund	12m	Liquid
LGIM Sterling Liquidity Fund	12m	Liquid
Northern trust sterling Government Liquidity Fund	12m	Liquid
Royal Bank of Scotland Global Treasury Fund	12m	Liquid
SLI Sterling Liquidity	12m	Liquid

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Topic	Tuesday 20.06.17 at 2pm (CR4)	Monday 18.09.17 at 2pm (CR4)	Tuesday 28.11.17 at 2pm (CR4)	Tuesday 30.01.18 at 2pm (CR4)	Tuesday 27.03.18 at 2pm (CR4)	Tuesday 26.06.18 at 2pm (CR4)
					12.30-1.30pm - Committee Self- Assessment Workshop	
Wales Audit Office	Annual Audit Plan 2017	Annual Improvement Report			Annual Audit Plan 2018	Annual Improvement Report
		Audit of Financial Statement Report for City of Cardiff Council (ISA260)				
	Cardiff & Vale Pension Fund Audit Plan	Audit of Financial Statement Report - Cardiff & Vale of Glamorgan Pension Fund (ISA260)			Cardiff & Vale Pension Fund Audit Plan	
	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update
Treasury Management	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report
		Annual Report	Half Year Report			
				Draft Strategy 2018-19	Treasury Mgmt Practices	
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 2016-17 (including the AGS)	Final Statement of Accounts for 2016- 17 (including the AGS)			Draft Statement of Accounts/AGS & report any changes in accounting policy	Draft Statement of Accounts 2017-18 (including the AGS)
	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					PSIAS Peer Review Report	
	Progress Update	Progress update (to include Benchmarking & Comparative Data Matching)	Half Yearly Progress Report	Progress Update	Progress Update	Progress Update
	Internal Audit Annual Report 2016-17			Draft Audit Charter 2018-19	Audit Charter 2018-19	Internal Audit Annual Report 2017-18
				New Financial Procedure Rules and Contract & Standing Orders Procedure Rules		
Governance and Risk Management					Audit Committee Draft Annual Rep. 2017-18	Audit Committee Annual Rep. 2017-18
	Senior Management Assurance Statement Review – Feedback – Final Position			Senior Management Assurance Statement Review		Senior Management Assurance Statement Review – Feedback – Final Position
				AGS 2017-18 Action Plan (Mid-Yr)		
	Corporate Risk Register (Year-End) [to include Corporate Risk Map]	Corporate Risk Register Qtr 1 update	Corporate Risk Register (Mid-Year) [to include Corporate Risk Map]	Draft Risk Management Policy & Strategy	Corporate Risk Register Qtr 3 update [to include Corporate Risk Map]	Corporate Risk Register (Year-End) [to include Corporate Risk Map]
				Draft Code of Corporate Governance	Audit Committee Self-Assessment Feedback/Action Plan	
Operational matters / Key risks		Education Annual Report on School Governance (including Balances) and Deficits	Andrew Gregory City Operations Update on Internal Control Environment	Tony Young Social Services Update on Internal Control Environment	Neil Hanratty Economic Development Update on Internal Control Environment	Christine Salter Update on Internal Control Environment  Paul Orders SMAS's

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(Updated following meeting held on 28 November 2017)

Minute No. /Agenda No.	Actions	Timeline	Action Owner
<b>Finance (Budget)</b>			
14.03.17	<b>Accounting Policies Update</b> Members sought clarification on the full impact of the proposal to change IFRS 9 Financial Instruments from 2018/19, and in particular the effect this would have in terms of the valuation of Cardiff Bus. Officer agreed to assess the proposal and its likely impact and report back to a future meeting of the Committee	27.03.18	Anil Hirani
20.06.17	Update on the changes to the CIPFA code regarding Cardiff Bus will be presented in due course.	27.03.18	Anil Hirani
18.09.17	Officers asked to identify the status of the Health & Safety report in respect to buildings has been completed.	28.11.17	I Allwood
<b>Governance &amp; Risk Management</b>			
18.09.17	A technical discussion in respect to risk appetite to be held between DP and CP. DP/CP to feedback to next Audit Committee.	28.11.17	D Price/ C Pyke
18.09.17	The WAO Statement of Actions will now be seen as normal business and any key points would be picked up in work on the Annual Governance Statement and the Senior Management Assurance process.	30.01.18	I Allwood/ C Pyke
<b>Wales Audit Office (WAO)</b>			
<b>WAO Tracker/Other Studies</b>			
<b>Internal Audit</b>			
28.11.17	A letter be sent from the Audit Committee Chair to Councillor Weaver regarding the reduction of 1 FTE post in the Audit Section, seeking assurances that this will not compromise the Council's ability to gain full assurance of its control environment.		Chair
28.11.17	Head of Finance to email Committee with details of circumstances relating to the internal audit finding of 'Fraud by Abuse of Position'		I Allwood
<b>Treasury Management</b>			
24.01.17	Officers agreed to provide a comparison of maturity analysis profiles with other local authorities.	27.03.18	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.	TBD	A Hirani
<b>Published Scrutiny Letters</b>			

Minute No. /Agenda No.	Actions	Timeline	Action Owner
<b>Operational Items</b>			
18.09.17	<b>Director of Education Report</b> <ul style="list-style-type: none"> <li>Future Director's report would report on treatment of significant surpluses in school budgets, as well as include school budget alongside the balance.</li> <li>Future Director's report would include a breakdown of the numbers interventions made in schools and the reasons why.</li> </ul>	Sept '18	N Batchelar/ N Hardee
<b>Outstanding Actions</b>			
20.06.17	<u>Director City Operations – Response to Internal Audit Report</u> Director of City Operations to be invited to Committee Meeting to comment on Internal Audit Reports within that directorate.	28.11.17	A Gregory
18.09.17	<b>Letter from Audit Committee Chair to Scrutiny Chairs on Safeguarding</b> Head of Finance to contact Scrutiny in respect of outstanding correspondence from Chair of Children & Young People Scrutiny.	28.11.17	I Allwood
<b>Work Programme</b>			
18.09.17	To add to the Annual Audit Committee Work Programme an annual report on Council's position on income. This will include information on the level of income being generated in addition to % of expenditure.	Sept '18	I Allwood