

Audit Committee Annual Report 2017/18



Cardiff Council



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1. Foreword by Ian Arundale, Chairperson of the Committee

I am pleased to present this report, which provides an overview of the Audit Committee's work in the municipal year 2017/18. Since taking the role of Chairperson in June 2015, I have been well supported by the strong teamwork of the Audit Committee, and I am very grateful to Deputy Chairperson Hugh Thomas for chairing two Audit Committee meetings in 2017/18.

This year saw changes in the Audit Committee membership due to the Council elections in May 2017. We have already felt the benefits of the knowledge, expertise and keen interest of our new members through their contributions to Audit Committee meetings.

I wish to record my thanks to all Elected Members and the Independent Lay Members who have served on the Committee this year. The year began with six Councillors joining the Audit Committee four of which were new to the Audit Committee. All Councillor Members of the Audit Committee received Induction training prior to their first attendance at Audit Committee. Members from across the political groups have come together in an effective way in our five meetings this year. It is also encouraging to report well-attended meetings, given how busy members are in fulfilling other roles and responsibilities.

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

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

We held a self-assessment workshop for the Audit Committee in March 2018, where we reviewed our performance against the best practice CIPFA framework. The assessment gave the Committee an opportunity to reflect on the first year of working together identifying both our achievements and areas for improvement and attention against a robust framework. Some areas of improvement have been identified which are reported in an action plan appended to this report which looks to engage Audit Committee with stakeholders and partners through the development of a Communication Plan, network engagement with other Audit Committees and building on the knowledge and skills we currently have within the Committee.

We acknowledge our broad and important role and have reflected on the effectiveness of governance, risk management and control in providing an overall assurance opinion and informing the Council's Annual Governance Statement 2017/18.

This year has seen members of the Senior Management Team coming to Committee and providing a full overview of their areas of responsibility in respect to their approaches to governance, risk and internal controls. Whilst, welcomed by Audit Committee we continue to emphasise the need for the Council to ensure that it fulfils its responsibilities and ensures that robust arrangements are in place for effective governance, risk management and control. These components being essential to excellent delivery of Public services.

Looking forward to 2018/19, the financial challenges facing the Council and public services will continue through reduced funding and increasing demand for services and ever improving performance. Within this context, the importance of an effective Audit Committee remains critical.

2. The Role of the Audit Committee

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

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

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

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

The Terms of Reference of the Committee for 2017/18 was as follows:

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

External Audit

- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditors.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To commission work from internal and external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspector agencies or relevant bodies.

Financial Reporting

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

Accountability Arrangements

To report to Council on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.

- To report to Council on an annual basis on the Committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To raise the profile of probity generally within the Council and to report on matters of concern to the individual Cabinet Member, relevant Scrutiny Committee, Cabinet or to Council as necessary and appropriate.
- To work in synergy with the Scrutiny Committees of the Council and liaise with other Council Committees as and when appropriate to avoid duplication in work programmes.

Training & Development

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

3. Our Work in 2017/18

The Audit Committee receives regular reports in relation to standard agenda themes and receives reports of interest based on risk, governance or internal control issues. Each aspect is reported on below.

4. Standard Items

4.1 Finance

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

The Audit Committee has noted the challenges facing the Council in respect to its budget strategy for both the year hence and the medium term.

The Committee has received and had the opportunity to comment on key finance reports in 2017/18, including:

- Draft Statement of Accounts 2016/17 and Audit Report

- Cardiff & Vale of Glamorgan Pension Fund Statement of Accounts 2016/17 and Audit Report
- Treasury Management reports and updates
- Financial Resilience updates and snapshots
- Draft Statement of Accounts/Annual Governance Statement 2017/18.

As reported in 2016/17, the Audit Committee continued to express concern about significant overspends and unrealised savings targets in the Social Services Directorate. The Director of Social Services attended Committee in January 2018 in order to provide an update on the challenges facing the directorate as well as providing a full overview of the assurance control environment.

4.2 Governance and Risk Management

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

The Audit Committee plays a key role in contributing to and challenging the contents to be included in the Annual Governance Statement (AGS). The AGS is an important governance disclosure document and forms part of the Statement of Accounts. The Audit Committee considered and approved the AGS as part of the Statement of Accounts 2016/17 in June 2017 and September 2017.

The Committee has had early involvement in the draft AGS 2017/18, in which the 'Opinion of the Audit Committee' (section 8) will be disclosed.

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

- June 2017 – Corporate Risk Register Year-End Position 2016/17
- June 2017 – Senior Management Statement Review Year End 2016/17
- September 2017 – Progress on Implementation of the Statement of Actions
- November 2017 – Corporate Risk Register Mid – Year Position 2017/18
- January 2018 - Senior Management Assurance Statement Mid-Year Responses 2017/18
- January 2018 - Mid-year AGS Action Plan of significant governance issues
- March 2018 – Corporate Risk Register Q3 Update
- March 2018 - Draft AGS 2017/18.

We are pleased that the Chief Executive disclosures have continued in 2017/18 and the Committee will welcome the Chief Executive at our June 2018 meeting.

The Audit Committee welcomed the opportunity to comment on the Draft Code of Corporate Governance in January 2018 prior to its approval at Constitution Committee and Council. This code focuses on how principles of good governance are applied, how governance is assessed and how the assessment is used.

The Committee also had the opportunity to provide early comment on a draft Risk Management Strategy and Policy that will be put forward to Cabinet in summer 2018. The Committee was very keen for Risk Management to be communicated to officers and stakeholders in a way that engaged participation. Subsequently, the Committee was pleased to receive a summary version of the Policy and Strategy that communicated the core principles in simple language.

The Committee has been informed of the approaches being taken in respect to risk and governance.

4.3 Treasury Management

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

Over the past twelve months, the Committee has received reports on the Treasury Management Annual Report, Mid-Year Report 2016/17, Treasury Management Strategy 2017/18 and the Treasury Performance and Practices Reports.

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

4.4 External Audit (Wales Audit Office)

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

- Cardiff Regulatory Programme Letter 2017-18;
- Audit of Financial Statements for Cardiff Council 2016/17;
- Audit of Financial Statements Report – Cardiff & Vale of Glamorgan Pension Fund 2016/17.

The Audit Committee has received regular updates from WAO and this was led by Matthew Coe (Audit Manager) and continued by Phil Pugh when Matthew left his role as Audit Manager.

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

4.5 Internal Audit

The Committee continues to place reliance on the work of the Council's in-house Internal Audit Team. The Audit Committee approved the Internal Audit Charter on an annual basis in both March 2017 and March 2018. The Committee also approved the 2017/18 Internal Audit Plan and monitored its progress receiving revisions to the plan throughout the year. The Committee welcomed 80% completion of the Audit Plan by 31 March 2018 and it forms a good baseline for measuring performance in the future. The Committee has also approved the 2018/19 Audit Plan in March 2018. The Committee received the following key documents during the year:

- Internal Audit Quarterly Progress Reports
- Internal Audit Recommendation Tracker
- Internal Audit Annual Report
- Changes to key documents / policies.

The Management arrangements introduced in March 2016, where the Head of Finance has acted as Internal Audit Manager have continued throughout 2017/18. The Head of Finance has provided all necessary updates to Audit Committee, supported by two Group Auditors. The Audit Manager provides a functional reporting role to the Audit Committee and an administrative reporting role to the Corporate Director Resources. The Committee remains assured that safeguards are in place to remove the Head of Finance from involvement in the audits of the finance function.

Contained within the 2017/18 Audit Plan were four themed audits targeted to gain assurance in each directorate across the Council. The themed audits were Commissioning & Procurement, Effective Decision Making, Governance and Payroll. In addition, an Income audit was carried out across a wide sample of schools. The Audit Committee received a summary of recommendations against each directorate.

An overview of all issued audit reports has been provided to the Audit Committee but emphasis has been on recommendations particularly in respect of those rated as Red or Red / Amber. This year has seen the Audit Committee provided with detail of all audit recommendations and the associated management response and an update as to when the actions have been completed or remain due. This detail has been useful in providing assurance to the Committee that recommendations are acted upon and it is right that this Committee is used as an escalation point where actions are not progressed in sufficient time.

Internal Audit is required to be subject to an external review every five years in order to conform to the mandatory Public Sector Internal Audit Standards (PSIAS). The Audit Manager of Rhondda Cynon Taf Council carried out this review during 2017/18. The Audit Committee received a presentation and a report in March 2018, which provided assurance that the Internal Audit function conformed to the standards. The Committee was informed that the Audit Manager for Cardiff Council had undertaken a PSIAS review for Swansea Council during 2017/18.

The Audit Committee also welcomed the opportunity to comment on the Council's revised draft Financial Procedure Rules and Contract Standing Orders & Procurement Rules prior to approval at Constitution Committee.

The Committee will receive a full year overview of audit work completed, and key messages, when the Internal Audit Annual Report is presented to the June 2018 meeting of the Audit Committee. This report will provide the Audit Manager's opinion on the Council's overall position in relation to risk, governance and internal control.

5. One-off Items

The Committee welcomed an initiative this year where each Director presents a summary overview of their areas of responsibility in respect to control, governance and risk

5.1 Education & Lifelong Learning

The Director of Education attended Audit Committee in September 2017 to report on School Governance and Financial Deficits.

It was reported that 13 schools (6 primary, 6 secondary and 1 Special) carried forward deficit balances into the financial year 2017/18, but each school and governing body had a Medium Term Financial Plan (MTFP) to balance the budget and finance officer support. In September 2017, the Director of Education provided assurance that every school in deficit had achieved a balanced in-year budget with no further increases in planned deficits. This matter continues to be monitored through the corporate risk register mechanism. Audit Committee showed a particular interest in that the number of schools holding balances in excess of £100,000, was the same as the number with a deficit. The Committee will continue to monitor the control of surplus balances in order to be satisfied that value for money principles are being upheld.

School governance has also continued to be highlighted as an area for improvement through the results of the internal audits undertaken and a Control Risk Self-Assessment (CRSA) audit process. Audit Committee continues to monitor the results of internal audit reports, together with the effectiveness of interventions where they have been required to improve financial management and governance. Where significant governance issues arise, then the Committee will consider asking that individual school to attend. The Committee continued to monitor progress against recommendations for those reported in the previous year.

5.2 City Operations

The Director of City Operations attended Audit Committee in November 2017 in order to report on the governance, management of risk and internal controls within the directorate. The Committee discussed contract monitoring arrangements in respect to the leisure contract undertaken by Greenwich Leisure Limited (GLL) and will look to ensure that the Council is taking active steps to monitor GLL's performance in discharging its contract going forward. Advice given to the Committee was that mitigations were in place to preserve the transport infrastructure estate.

5.3 Social Services

The Director of Social Services attended the Committee in January 2018 and summarised the directorate's management and mitigation against Directorate and Corporate Risks, an overview of the assurances set out in the Senior Management Assurance statement and details of the monitoring and implementation of recommendations made in reports received from Internal Audit. The Director set out the number of measures to identify risks for management attention. The Committee received assurance that the Directorate has a uniform Risk management structure that enables clear visibility of potential matters at all levels of the directorate.

The Director assured the Committee that the directorate management team take ownership of, and are responsible for, delivering actions against internal audit recommendations. There was great value placed on the Relationship Manager meetings held between the Group Auditor and the Director. The focus of challenge was primarily in respect to the timescales for implementation rather than the audit recommendations.

The Committee also noted that the director was retiring at the end of March 2018 and, whilst thanking him for all his efforts, expressed interest in the transitional arrangements to the new leadership structure. The Committee will be interested in ensuring that the new arrangements look to retain the strong governance arrangements in place and build on them going forward. The Committee expressed its gratitude and appreciation for his service to the Council.

5.4 Economic Development (incl. Commercial Services)

The Director of Economic Development attended the Committee in March 2018, and summarised the approach taken to managing governance and internal control within the directorate.

The Committee was advised that the Directorate has developed a clear structure and process for managing and monitoring its strategic and operational risks that are related to its responsibilities and commitments. Service risk registers have been developed across all teams with a focus on prompt risk identification.

The Directorate Management Team is actively engaged in a review of the Directorate Senior Management Assurance Statement. Overall, there is a strong application of governance and controls across the directorate with an improved position in terms of risk identification and management following the development of service risk registers for all teams across the directorate.

Many of the services within the directorate are income generating and the Committee was provided with an overview on how value for money is delivered with a focus on developing contracts and customer retention.

The Committee reviewed the audits completed in respect to the directorate and gained assurance that recommendations were implemented in a prompt and timely manner. The Committee probed the Director of Economic Development and Assistant Director, Commercial Services to gain assurance that Health & Safety is managed effectively, and sought and gained assurance that there have been no statutory breaches. The Committee fully appreciated the amount of work that has been undertaken over the last year in respect to assets and buildings (including schools) but also noted there was a lot more work to do and will look for an update during 2018/19.

The Committee enquired about the governance structures in place across the community when the city hosts large events. The Committee was informed that a stakeholder group was at the centre of the governance structure with representatives from business and the community, and that meetings were held both before and after each event.

5.5 Charging for Service and Generating Income

In September 2017, the Committee received a report from the Head of Finance outlining Cardiff's position against the All Wales position as outlined in the Wales Audit Office (WAO) study 'Charging for Services and Generating Income by Local Authorities'.

The Committee considered Cardiff performance against the All Wales average and looked to understand the reasons for the performance of some of the key indicators. The Committee wanted to understand the cost of

generating income and considered whether some services had reached a level of income that could not be increased. The Committee noted that increasing income is not the only option available with the recent example of the transfer of leisure facilities to Greenwich Leisure Limited. The Committee determined that an annual report is to be presented each September to reflect this important line of enquiry.

6. Audit Committee Self-Assessment

In March 2018, Audit Committee held a self-assessment workshop, where a review of performance is held against a best practice CIPFA framework. A new version of the best practice CIPFA framework was due to be published in the autumn of 2017 but there had been delays, so the decision was taken to hold the self-assessment against the old framework. The new Framework has now been published and any key amendments will be reflected upon and updated by the Committee in June 2018.

The March 2018 assessment involved a review of good practice and effectiveness, as well as a progress review against the Audit Committee 2016/17 assessment. The assessment highlighted progress in defining the role and the terms of reference of the Audit Committee, regular review of the internal audit functions and a wider set of presentations from directors. The 2018 assessment provided Audit Committee with a good level of assurance in the delivery of its core role and function. The assessment results and the action plan of eight improvement actions are appended to this report.

The key areas of attention are looking for ways to engage Audit Committee with stakeholders and partners through the development of a Communication Plan, network engagement with other Audit Committees and building on the knowledge and skills we currently have within the Committee. The Committee is keen to have webcasting of meetings in order to communicate the importance of the work programme that we are undertaking.

As set out in the action plan for the self-assessment, the Committee is committed to its own development both as individual members and as a collective. Progress against the action plan will be presented to Audit Committee during the year.

7. Key Observations 2017/18

With the support of the Wales Audit Office, Internal Audit and other Council Officers, a Work Programme was developed setting out the priorities for the year. This centred on delivering the Audit Committee terms of reference with a focus on the significant risks and challenges facing the Council.

The Committee has concentrated on getting a detailed overview of directorates in order to inform future work programme. The Committee's line of enquiry was to gather assurance that there is a consistency of approach across directorates in response to the challenges of maintaining controls, displaying good governance and managing risks. This has enhanced the Committee's understanding of the services provided and the challenges faced. In addition, the Committee has had the opportunity to challenge and discuss actions taken in response to both External and Internal Audit Reports. It is recognised that the Council has continued to face severe financial challenges with an ongoing need to realise efficiencies and implement new service delivery approaches. It is vital that good governance is maintained. The Committee will continue to support the Council as it responds to these challenges.

8. Opinion of the Audit Committee for 2017/18

Based on the evidence presented to the Audit Committee during 2017/18, it is the considered view of the Committee that the Council does have, for the most part, sound financial controls and governance arrangements in place. Strategic risks representing the true challenges facing the Council are well captured and reviewed on a

regular basis. Examples of where the Committee continues to have concerns, which will be incorporated into the Committee's Work Programme for 2018/19, include:

8.1 Budget Prioritisation / Control

The Audit Committee recognises the sustained financial pressure that the Council is under and has received reports detailing the challenges in respect to the prioritisation and control of budgets. Whilst the Committee notes that the overall financial position was projected to be balanced, there were some significant overspends projected across particular directorates. The Corporate Director Resources has reported the outturn position in each finance update at Audit Committee this year.

The Audit Committee continues to raise concern about directorates' ability to achieve budget savings proposals put forward, which will become an increasingly pressing issue as the financial parameters within which the Council operate become further constrained. It is positive that an increasing number of budget proposals are accompanied with detailed plans and the Committee will be interested in the level of savings achieved in 2018/19.

8.2 Financial / Internal Control

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

The Committee's focus this year has been to invite each Director to account for their services in respect to risk management, governance and assurance of financial internal controls. In addition, the Audit Committee receives a regular list of completed audits with the assurance rating given for each. The Committee receives a list of all audit recommendations, which detail the action proposed, and whether or not the deadlines set will be met for implementation. Whilst the Audit Committee has an overall assurance of internal control we will continue to receive this information and use it in order to provide assurance that internal controls across the Council remain fit for purpose and, where not, are identified and mitigating action put in place quickly. The Committee will continue to hold officers to account for services or functions where financial or internal control weaknesses have been identified. We continue to challenge any impairment in stewardship and control of public funds and assets, seeking prompt and proportionate management actions.

The Audit Committee has approved the 2018/19 Audit Plan and will closely monitor its progress over the year. Particular attention will be given to seeing how officers have used the revised Financial Procedure Rules and Contract Standing Orders & Procurement Rules.

8.3 Financial Resilience (including Treasury Management)

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

The Audit Committee has received updates on financial resilience as part of the finance updates from the Corporate Director Resources in each meeting in 2017/18. Whilst the regular reports provide assurance on effective financial resilience, the Audit Committee has maintained its focus on monitoring the use of reserves and links between all directorate delivery plans to the Medium Term Financial Plan to improve planning, integration and control.

The Audit Committee will continue to look to gain assurance of sound treasury management practices and strategy. This is vital work, which will both safeguard and deliver best value from the Council's borrowing and investments. The Audit Committee has and will continue to satisfy itself that the levels and profiles of investments and borrowing throughout the year are appropriate and in line with the Treasury Management Practices, Strategy and Reports presented. This will continue to be a key area of focus going into 2018/19.

8.4 Schools Governance & Compliance

Historically, Audit Committee has raised concerns about governance and compliance matters in schools, which are responsible for a greater proportion of audit reports giving concern. This trend has improved in 2017/18 in particular across the themed audits that have been carried out, which sampled at least half of the schools in Cardiff. This wider sample, albeit on targeted areas of internal control, has provided a level of comfort but there remains more work to be done and this will continue to be a focus of Audit Committee in 2018/19.

The Committee acknowledges that the Council is not able to set rules for schools to adhere to regarding contracting matters, albeit advice can be offered on good practice. This area of interest remains a priority of the Audit Committee. The Audit Committee continues to support the production and use of best practice guidance in schools to strengthen financial stewardship and control.

9. Looking ahead to 2018/19

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

The Audit Committee's programme of work will continue to be aligned to delivering its terms of reference effectively. This will include monitoring the management of the existing matters highlighted in the 'Opinion of the Audit Committee 2017/18' as well any new issues, which require our attention.

The Committee's Work Programme will continue to ensure that its contribution to governance, risk management and control are maximised.

10. Audit Committee Membership 2017/18

The Committee consists of four Independent Lay Members and eight Non Executive Councillors, elected by Council (detailed in Annex 3). Independent members are appointed for no more than two administrative terms with Council Members reappointed annually.

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

The Audit Committee met on 5 occasions throughout the municipal period 2017/18 on the following dates: 20 June 2017; 18 September 2017; 28 November 2017; 30 January 2018 and 27 March 2018.

11. Attendance in 2017/18

Attendance 2017/18	Possible	Actual
Independent Lay Members		
Ian Arundale (Chairperson)	5	3
Hugh Thomas (Deputy Chairperson)	5	5
David Price	5	5
Gavin McArthur	5	4
Non-Executive Councillors		
Councillor Phil Bale (appointed 29.06.17)	4	4
Councillor Jayne Cowan	5	5
Councillor Stephen Cunnah	5	4
Councillor Nigel Howells	5	4
Councillor Chris Lay (appointed 20.07.17)	4	4
Councillor Mary McGarry	5	4
Councillor Dianne Rees	5	5
Councillor Kanaya Singh (appointed 29.06.17)	4	4

All Councillor members received induction training prior to attending Audit Committee.

The Head of Finance provided an overview of the Committee's remit in line with the Committee's Terms of Reference. The Principal Auditor (Risk & Governance) provided an overview on governance and risk management, and the Operational Manager, Capital & Treasury, provided specialist training around the Committee's Treasury Management role.

12. Audit Committee Contacts

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Audit Committee Self-Assessment Action Plan

March 2018

Ref	Action	Target Date
1.	Communications Plan Develop a Communications Plan for the Audit Committee.	June 2018
2.	Terms of Reference Consider modifying the Audit Committee terms of reference to be up to date with the best practice CIPFA template.	June 2018
3.	'Wider Functions' Review Review the 'wider functions' of an Audit Committee from the revised CIPFA guidance.	January 2019
4.	Audit Committee Induction Provide new Audit Committee Members with the best practice CIPFA guidance on the role of Audit Committees as part of the induction process.	March 2018 - onwards
5.	Chair's External Engagement Consider the external engagement activities available to the Chair of the Audit Committee to discuss assurance themes and emerging issues on a regional basis.	September 2018
6.	Knowledge and Skills Assessment Trial the CIPFA 'Audit Committee Members – Knowledge and Skills Framework'.	January 2019
7.	Assurance Map Consider the Internal Audit 'Assurance Map' as part of the Internal Audit Progress Report item.	June 2018
8.	Value for Money Assurance Audit Committee to be proactive in seeking assurance on value for money when Directors attend committee meetings.	March 2018

Audit Committee Self-Assessment Results

March 2018

A) Self-Assessment of 'Effectiveness'

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

Areas the Audit Committee can add value by supporting improvement		Overall Assessment
1.	Promoting the principles of good governance and their application to decision making.	3
2.	Contributing to the development of an effective control environment.	4
3.	Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	3.5
4.	Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	3
5.	Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	4
6.	Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	2
7.	Supporting the development of robust arrangements for ensuring value for money.	3
8.	Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	4
9.	Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	3




B) Self-assessment of 'Good Practice'





Good practice questions		Yes	Partly	No
Audit committee purpose and governance				
1	Does the authority have a dedicated audit committee?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Does the audit committee report directly to full council? (Applicable to local government only.)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Is the role and purpose of the audit committee understood and accepted across the authority?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Are there arrangements to hold the committee to account for its performance operating satisfactorily?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
	• good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• assurance framework	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• internal audit	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• external audit	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• financial reporting	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• risk management	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• value for money or best value	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• counter-fraud and corruption.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>






Good practice questions		Yes	Partly	No
Membership and support				
12	Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • where independent members are used, that they have been appointed using an appropriate process. 	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	Does the chair of the committee have appropriate knowledge and skills?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	Are arrangements in place to support the committee with briefings and training?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17	Is adequate secretariat and administrative support to the committee provided?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19	Has the committee evaluated whether and how it is adding value to the organisation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20	Does the committee have an action plan to improve any areas of weakness?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Audit Committee Member Profiles

Current Membership

 <p style="text-align: center;">Ian Arundale (Chair) (Independent Lay Member)</p>	<p>Ian Arundale is a self-employed Law Enforcement and Security Consultant. He was a police officer for 32 years serving in South Wales, West Mercia and Dyfed-Powys Police Forces rising to the rank of Chief Constable.</p> <p>Ian was the UK lead on behalf of the Association of Chief Police Officers (ACPO) for 'Armed Policing' policy and practice and chaired the UK 'Conflict Management' portfolio.</p> <p>He works internationally and has recently assisted police forces and organisations in the USA and New Zealand.</p> <p>Ian holds a diploma in Applied Criminology from Cambridge University, an MSc (Econ) degree in Criminology and Criminal Justice from Cardiff University and a BA (Hons) degree in Police Studies. He is a Fulbright Fellow and a graduate of the Prime Ministers 'Top Management' programme.</p> <p>In addition to his role with work with Cardiff Council, he is also a member of the Discipline Committee of the Royal College of Veterinary Surgeons and a board member of the International Law Enforcement Forum (ILEF). He was awarded the Queens Police Medal (QPM) in 2011.</p>
 <p style="text-align: center;">Hugh Thomas (Deputy Chair) (Independent Lay Member)</p>	<p>Hugh Thomas, a retired Solicitor, pursued a Local Government career for forty years culminating in his being Chief Executive of Mid Glamorgan County Council (the largest local authority in Wales) for fifteen years. During this time, he served as Clerk to the South Wales Police Authority and Honorary Secretary of the Assembly of Welsh Counties. He retired in 1995.</p> <p>He has since chaired a number of public bodies and national voluntary organisations including those in the health and higher education sectors. He was Vice Chairman and Chair of the Audit Committee of the Wales Centre for Health. He was also a non-Executive Director of Welsh Water. He served as Chairman of The Regulatory Board for Wales 2010 – 2016.</p> <p>Currently, he is serving a second term as one of the fifteen Trustees of The National Library of Wales.</p>
 <p style="text-align: center;">David Price (Independent Lay Member)</p>	<p>David Price is a strategic planner and policy specialist in the UK education and knowledge exchange sector with executive-level experience.</p> <p>Educated at the universities of Sheffield and Newcastle-Upon-Tyne and at schools in the UK and abroad, David is a graduate of the Leadership Foundation for Higher Education's Top Management Programme.</p> <p>He has worked for two non-governmental public bodies and three universities, acted as a critical friend to educational agency sponsored initiatives, provided consultancy services and taught in secondary schools.</p> <p>David's professional interests focus on the development and creative use of performance systems, business intelligence, risk management, regulation and governance.</p>

 <p>Gavin McArthur (Independent Lay Member)</p>	<p>Gavin McArthur is an experienced internal audit and governance professional and qualified accountant. He is currently a senior audit manager for the Halfords Group. Prior to this, he was Head of Governance and Assurance for the Ministry of Justice Estates Directorate. He has also held senior management roles in internal audit functions in local and central government. His professional experience and expertise lie in the fields of internal control, risk management, governance, internal audit, business case review, and performance management.</p> <p>Following a degree in Geological Sciences from Birmingham University, Gavin qualified as a CIPFA accountant with Coventry City Council where he undertook a range of financial management and accounting roles, including audit.</p> <p>A keen sportsman, who played semi-professional football, Gavin has coaching qualifications in rugby, goalkeeping and strength and conditioning. He currently coaches at a local rugby club and for a university football team, and is an experienced Tai chi practitioner.</p>
 <p>Cllr Phil Bale (Labour & Co-operative Councillor)</p>	<p>Serving the Llanishen Ward</p> <p>Terms of Office: 03/05/2012 - 04/05/2017 04/05/2017 -</p> <p>Serving on the following committees: Audit Committee Council</p>
 <p>Cllr Jayne Cowan (Conservative)</p>	<p>Serving the Rhiwbina Ward</p> <p>Terms of Office: 03/05/2012 – 04/05/2017 04/05/2017 -</p> <p>Serving on the following committees: Audit Committee Council Employment Conditions Committee Glamorgan Archives Joint Committee (Chairperson)</p>
 <p>Cllr Stephen Cunnah (Labour)</p>	<p>Serving the Canton Ward</p> <p>Term of Office: 04/05/2017 –</p> <p>Serving on the following committees: Appointment Committee Audit Committee Council Glamorgan Archives Joint Committee Policy Review and Performance Scrutiny Committee Standards & Ethics Committee</p> <p>Outside Bodies: Chapter (Cardiff) Limited</p>

 <p>Cllr Nigel Howells (Liberal Democrats)</p>	<p>Serving the Adamsdown Ward.</p> <p>Term of Office: 03/05/2012 - 04/05/2017 04/05/2017 -</p> <p>Serving on the following committees: Audit Committee Council Economy & Culture Scrutiny Committee (Chair) Pensions Committee</p>
 <p>Cllr Chris Lay (Labour)</p>	<p>Serving the Trowbridge Ward.</p> <p>Term of Office: 04/05/2017 -</p> <p>Serving on the following committees: Audit Committee Council Environmental Scrutiny Committee Planning Committee</p> <p>Outside Bodies: Cardiff Bus</p>
 <p>Cllr Mary McGarry (Labour)</p>	<p>Serving the Plasnewydd Ward.</p> <p>Term of Office: 03/05/2012 - 04/05/2017 04/05/2017 -</p> <p>Serving on the following committees: Appointment Committee Audit Committee Community & Adult Services Scrutiny Committee (Chair) Council</p> <p>Outside Bodies: Cardiff Action for the Single Homeless (Huggard Centre) Standing Advisory Council for Religious Education (SACRE)</p>
 <p>Cllr Dianne Rees (Deputy Leader of the Conservative Group)</p>	<p>Serving the Pontprennau & Old St Mellons Ward.</p> <p>Term of Office: 03/05/2012 - 04/05/2017 04/05/2017 -</p> <p>Serving on the following committees: Audit Committee Council Local Authority Governor Panel</p>
 <p>Cllr Kanaya Singh (Labour)</p>	<p>Serving the Riverside Ward.</p> <p>Term of Office: 04/05/2017 -</p> <p>Serving on the following committees: Audit Committee Children and Young People Scrutiny Committee Council</p>