

## AUDIT COMMITTEE

30 NOVEMBER 2015

Present: Independent Members: Ian Arundale (Chair),  
Councillors Howells, Kelloway, McGarry, Mitchell, Murphy,  
Professor Maurice Pendlebury, Dianne Rees and Weaver

### 24 : APOLOGIES FOR ABSENCE

Apologies were received from Hugh Thomas (Independent Member); and Janet McNicholas and Non Jenkins, Wales Audit Office.

### 25 : ANNOUNCEMENTS

- (a) Welcome: The Chair welcomed Councillor Bill Kelloway to the meeting following his appointment to the Committee at Council on 22 October 2015.
- (b) Thanks: The Chair on behalf of the Committee thanked Paul Burke from Democratic Services whose secondment had ended for his administrative support to the Committee.

### 26 : DECLARATIONS OF INTEREST

Members were reminded of their responsibility under Part III of the Members' Code of Conduct to declare any interest in general terms and to complete personal interest forms at the start of the meeting and then, prior to the commencement of the discussion of the item in question, specify whether it is a personal or prejudicial interest. If the interest is prejudicial Members would be asked to leave the meeting and if the interest is personal, Members would be invited to stay, speak and vote. No declarations were made.

### 27 : MINUTES

The minutes of the meeting of the Audit Committee of 16 September 2015 were agreed as a correct record and signed by the Chairperson subject to an administrative correction to the Membership list to list Independent Members separate to the Councillors.

### 28 : BUDGET STRATEGY

The Corporate Director Resources / Section 151 Officer, Christine Salter gave an update on the in-year budget position; the Capital programme; the budget strategy and future years; and details of the Budget consultation process for 2016/17 which would go live on 11 December 2015.

The Committee considered the current position and directorates showing an overspend and were assured that work was ongoing to offset the position from other areas of the service to try to ensure a balanced position by the end of the financial year. It was noted that robust due diligence and scrutiny of 2016/17 proposals was in progress.

Members discussed the levels of agency spend and noted that further work on analysis of spend data was ongoing.

The slippage in the capital programme was noted which mainly related to delays in the construction of the new Eastern High School and various energy projects including LED street lighting.

RESOLVED – That

1. the budget update be noted;
2. the position on Agency staffing be noted and any further data be submitted to Committee in due course. The Audit & Risk Manager verified that IA have recently completed an analysis of Agency Spend as part of the VFM reviews and will provide an update at its next meeting on the 1st February 2016; and
3. the details of the 2016/17 budget consultation events be circulated to the Committee for their information.

Governance and Risk Management  
29 : CORPORATE RISK REGISTER

The Committee received its mid-year review of the Council's Corporate Risk Register, which is updated quarterly and agreed with the Senior Management team.

The Audit and Risk Manager advised the Committee that the number of corporate risks had reduced by one to twenty-four; that following the senior management re-structure in April 2015 the number of Directors had reduced from eleven to seven and with the ownership and management of the ongoing risks had been adjusted accordingly, with a closer focus and robust strategic approach to risks.

A benchmarking exercise with other UK Core Cities to identify and consider the comparability of risk themes on the Corporate Risk Register with other Local Authorities had been concluded. This exercise found that the makeup of the Cardiff's Corporate Risk Register broadly aligned with those of the other Core Cities, and further work was being undertaken to compare the data in greater detail.

RESOLVED – That the Corporate Risk Register is noted and that the Committee have regard to its content when considering its Work Programme.

30 : RISK APPETITE

The Committee was advised of work undertaken to define the Council's Risk Appetite. The Committee was advised that the Risk Management Policy, Strategy and Methodology outlines the importance of a risk appetite in identifying the level of risk the Council is prepared to tolerate before it takes protective action. Risk measurement and management tools are corporately available, but decision making could be further supported by a defined risk appetite position.

To assist in the development of a corporate risk appetite, a risk management briefing paper had been prepared along with ten a risk assessment questions to be completed by the Senior Management Team and the Risk Management Steering Group the findings of which would be prepared for the Audit Committee to input into the position paper and recommendations going forward to Cabinet.

RESOLVED – That the progress on defining of Risk Appetite be noted.

### 31 : CONSTRUCTING EXCELLENCE WALES ON BUILDING MAINTENANCE FRAMEWORK AND ACTION PLAN

The Committee received a presentation on the Building Maintenance Framework and the review of the current arrangement by Constructing Excellence Wales (CEW). The presentation provide Committee with a briefing on key features of the Building Maintenance Framework Agreement; the remit of CEW Review and the process; summary of findings both from the supplier and contractor and the experiences of clients and those delivering the services, i.e. the external contractors providing the services to the Council.; detail of the CEW recommendations; and the action plan and work ongoing with directorates.

Jane Thomas, Assistant Director Housing and Communities; Dylan Roberts, Senior Category Manager, Commissioning & Procurement; Lesley Ironfield, OM, Facilities Management and Sue Bartlett, OM, Community Maintenance Services supported the presentation and questions from the Committee.

Members welcomed the detailed briefing on this area which was of concern and had been discussed at previous meetings. A number of matters were raised in discussion with the officers in particular

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

RESOLVED – that

- (1) Officers be thanked for the detailed briefing;
- (2) Internal Audit follow up on the action plan and the work on the future framework arrangements on a 6 monthly basis and report as necessary to Audit Committee;
- (3) communications with Members on the process and procedure be improved.
- (4) ***Officers to prepare and circulate a guidance and list of contacts for dealing with building maintenance contract matters.***

## 32 : WALES AUDIT OFFICE REPORT PROGRESS UPDATE

The Chairperson welcomed Chris Pugh, Wales Audit Office Auditor and Grants Specialist to the meeting.

Chris Pugh advised that the Corporate Assessment follow up assessment had been completed in October and the closing meeting had clarified any matters that had been highlighted during the assessment. A report was being drafted for internal review with a draft copy to be discussed with the Leader and Chief Executive before a final report is submitted to the Council and published. The timescales for this process was not available for the meeting.

WAO were undertaking a programme of national and local studies.

RESOLVED – That

1. the WAO briefing be noted;
2. Internal Audit to arrange a short meeting between the Chair and WAO prior to Audit Committee on the 1<sup>st</sup> February to discuss the Corporate Assessment – Follow on and Internal Review Process.

## 33 : TREASURY MANAGEMENT PERFORMANCE REPORT

The Chair reminded the Committee that Appendix 1 and Appendix 3 to the report for agenda item 7.1 (Treasury Management – Performance Report) contained exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972, and should there be any detailed discussion on these items the public would be excluded from the meeting

The Committee received the quarterly Treasury Performance report and position statement as at 31 October 2015 and highlighted key changes from the previous report received as at 31 August 2015. There had been no significant changes since the last report.

The Director provided an update on the borrowing undertaken in relation to the Housing Revenue Account settlement payment. No further borrowing had been undertaken during the year to date. £3.6 million of loans will mature in the remainder of the year and £15 million of new Public Works Loans would be taken to reduce internal borrowing and to benefit from preferential rates (Project Rate) available for investment related to 21<sup>st</sup> Century School projects in 2015/16.

The Committee noted that the maturity of debt profile was improved with a stable projection to 2056.

RESOLVED – That the report be noted.

Internal Audit

## 34 : INTERNAL AUDIT HALF-YEAR PROGRESS REPORT

The Chair advised that Appendices B and E in Annex 1 to the report for agenda item 10.1 (Internal Audit Half-Yearly Progress Report) contained exempt information as defined in Section 100 (1) (1A) of, and paragraphs 14 and 21 of Schedule 12A to, the Local

Government Act 1972 and should any Member wish to raise any matters contained in this report it would be necessary to resolve that the public be excluded for the duration of the discussion of this item

The Audit and Risk Manager provided an update on the work of Internal Audit for the period up to 30 September 2015 as part of its Strategy and Audit Plan. The Committee noted the changes to resources and support for risk and audit management; the number of audits completed and outcomes; level of assurance on the audit reports; performance indicators; benchmarking work and investigation team's half year report.

Members discussed a number of matters relating to process; costs; and governance; value for money; comparison information; and commended the team on their performance to date.

RESOLVED – That

1. the report be noted;
2. Audit Committee be notified at its next meeting of those audits that will not be completed / slippage in 2015/16 Audit Plan;
3. the Audit & Risk Manager consider whether a random check of 'High/Satisfactory' school CRSA's should be undertaken.

#### 35 : MEASURING EFFECTIVENESS OF INTERNAL AUDIT

The Audit & Risk Manager presented details of work undertaken as part of the Quality Assurance and Improvement Programme used to measure the effectiveness of internal audit in relation to the following different elements:

- Delivery against the Audit Plan;
- Delivery against Annual Objectives;
- Internal quality assurance reviews;
- Extent to which audit recommendations are agreed and implemented;
- Director meetings and audit assurance questionnaires;
- Public Sector Internal Audit Standards – self assessment;
- Institute of Internal Auditors – “ What Every Director Should Know “ self-assessment;
- Audit Committee view as part of Audit Committee Self-Assessment;
- Benchmarking;
- External Assessment ;
- Wales Audit Office opinion on Internal Audit and overall financial control opinion;
- Management Performance Review.

The Committee welcomed the report and its detail and commended the team on its robust audit work against a reducing level of resources. The client feedback showed that the effectiveness; professionalism and understanding of the audit function were high.

RESOLVED – That the report was noted.

#### 36 : ASSURANCE MAPPING

The Committee received the Audit and Risk Manager's report on development of an Assurance framework which directly correlates with the Council's internal control

environment; identifies areas of individual responsibility and mapping risk, governance and controls across the Council linking with the key sources including the Corporate Risk Register, Annual Governance Statements and any matters arising from the Senior Manager's Assurance Statements as well as matters raised by external regulators and auditors.

The Committee was advised that by mapping assurance against the key risks and significant issues within the organisation, it should be possible to give senior management and Members an informed view on the level of assurances in different areas and to make more informed decisions on where resources are best targeted. It should avoid duplication of effort and contribute to supporting the work on compiling the Annual Governance Statement. It will also support Internal Audit with their Audit Plan to ensure activities can be targeted to key areas to minimise duplication/ crossover and better co-ordination and sharing of activities.

RESOLVED – That the update be noted.

### 37 : PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) EXTERNAL ASSESSMENT

The Audit and Risk manager provided an update on the arrangements for the Public Sector Internal Audit Standards - External Assessment. The Council adopted standards and the Audit Charter from 1<sup>st</sup> April 2013. The PSIAS require that an assessment is carried out by external assessors at least once every five years.

The Welsh Chief Auditor's group are proposing that all Welsh authorities establish joint peer group to undertake such assessments. This approach is consistent with a peer group established for Core cities across the UK; and is based around a robust self-assessment and an external evaluation that fully meets the requirements of the Standard and has significant cost savings.

Over the next few weeks the Terms of Reference will be finalised; grouping and matching authorities will be agreed that avoid any potential conflicts of interest and a draft timetable.

RESOLVED - That the Committee approved the approach to be adopted for carrying out external assessments in compliance with Public Sector Internal Audit Standards (PSIAS).

### 38 : OUTSTANDING ACTIONS - ACTION LOG

The purpose of this item was to update the Committee on outstanding actions from the Audit Committee's Action Plan.

RESOLVED – That the report be noted.

### 39 : WORK PROGRAMME UPDATE

The Audit & Risk Manager draw attention to the work programme of items for the municipal year. At the next the Committee will receive a selection of value for money studies.

It was agreed that consideration of the Final Business Cases for the Infrastructure Alternative Delivery Model was outside of the remit of this Committee. The Director of Corporate Resources agreed to discuss with Councillors on the most appropriate way of scrutinising this area

RESOLVED – That the Work Programme be noted.

40 : URGENT BUSINESS

There were no urgent items to report.

41 : DATE OF NEXT MEETING

The next scheduled meeting is on Monday 1 February at 2.00pm in Committee Room 4.

The meeting terminated at Time Not Specified