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AGENDA

Committee	AUDIT COMMITTEE
Date and Time of Meeting	TUESDAY, 24 JANUARY 2017, 2.00 PM
Venue	COMMITTEE ROOM 4 - COUNTY HALL
Membership	Ian Arundale (Chair) Hugh Thomas, Gavin McArthur and David Price Councillors Howells, Kelloway, McGarry, Mitchell, Murphy, Weaver and Walker

*Time
approx.*

1 Apologies for Absence

To receive apologies for absence.

2 Declarations of Interest

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

3 Minutes (Pages 1 - 12)

To approve as a correct record the minutes of the meeting held on 29 November 2016.

4 Finance (Pages 13 - 16)

2.05 pm

4.1 Finance Update

5 Governance and Risk Management (Pages 17 - 24)

2.20 pm

5.1 Audit Committee Annual Report Discussion

5.2 AGS '16-17 Action Plan (Mid-Year)

5.3 Audit Committee/Scrutiny Protocol – re-introduction/way forward

6 Wales Audit Office

2.50 pm

6.1 Verbal Update – as appropriate

- | | | |
|-----------|--|---------|
| 7 | WAO Tracker/Other Studies (<i>Pages 25 - 26</i>) | 2.55 pm |
| 8 | Treasury Management (<i>Pages 27 - 68</i>) | 3.05 pm |
| | 8.1 Performance Report | |
| | 8.2 Draft Treasury Management Strategy 2017/18 | |
| 9 | Internal Audit (<i>Pages 69 - 110</i>) | 3.30 pm |
| | 9.1 Progress Update (including Executive Summaries) | |
| | 9.2 Draft Internal Audit Charter 2017-18 | |
| | 9.3 Draft Prosecution Policy | |
| 10 | Published Scrutiny Letters (<i>Pages 111 - 154</i>) | 4.05 pm |
| 11 | Work Programme Update (<i>Pages 155 - 158</i>) | 4.10 pm |
| 12 | Urgent Business | |
| 13 | Date of next meeting | |
| | Date of Next Meeting – 14 March 2017 | |

Davina Fiore
Director Governance & Legal Services
Date: Wednesday, 18 January 2017
Contact: Graham Porter,
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AUDIT COMMITTEE

29 NOVEMBER 2016

Present: County Councillor Ian Arundale(Chairperson)
County Councillors Howells, Kelloway, McGarry, Mitchell,
Murphy, Weaver and Walker

42 : APOLOGIES FOR ABSENCE

Apologies were received from David Price.

43 : COMMITTEE MEMBERSHIP

The Chairperson advised that two new independent members had been appointed to the Committee. David Price was appointed to the vacant position and Gavin McArthur would join the Committee on 1 December 2016 to fill the position due to be vacated when Professor Maurice Pendlebury stands down on 27 November 2016.

Gavin McArthur was in attendance as an observer.

The Chairperson also advised Members that he was unable to attend the Committee meetings scheduled for January and March 2017 due to other commitments.

Nominations were sought for a new Vice Chair. It was proposed and seconded that Hugh Thomas be appointed as the new Vice Chair.

44 : DECLARATIONS OF INTEREST

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

Councillor Mitchell	Item 4	Family Member of a Social Worker
Councillor Howells	Item 10.1	School Governor

45 : MINUTES

The minutes of the meeting held on 19 September 2016 were approved by the Committee as a correct record and were signed by the Chairperson.

46 : SOCIAL SERVICES FINANCIAL POSITION

Councillor Mitchell declared an interest in this item under the Members Code of Conduct, as a family member is employed by Social Services.

The Chairperson welcomed Tony Young, Director of Social Services, to the meeting. The Chairperson acknowledged the position the Directorate finds itself in and the difficulties in terms of service demands set in the national context. The Director

circulated a WLGA Briefing paper which indicated that nationally local authority Social Services were £92 million in deficit as a result of the pressure of service demands. The mapping exercise currently being undertaken would inform Cardiff's offer over a 5 to 10-year period.

The Committee received a report advising Members of the underlying reasons for the adverse financial position against budget in the Social Services Directorate at 2015/16 outturn and as projected in the month 4 budget monitoring report. The report was presented following a request from the Audit Committee.

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

- The Director advised that when foster care placements with a private sector provider failed to materialise, in order to meet savings targets another provider was engaged. Members were advised that the private sector provider encountered problems recruiting foster carers, many of whom were returning to the Council from the private sector, as they prefer the Council value base.
- Members were advised that, in terms of the Integrated Service/Financial Strategy, officers were aiming to produce detailed set of service offer proposals – pitched at different levels of affordability – by end of January 2017. Members asked whether January 2017 was a realistic target date. The Director indicated that outline proposals were expected by end of January 2017 but these may need further work before being finalised by the end of the financial year. Members requested that the finalised proposals be presented to the Audit Committee once approved by Cabinet. The Corporate Director gave an undertaking to facilitate this request.
- Members asked for an indication of where the main areas of savings from commissioning spend would be gained from and how these would fit in to the strategic model. The Director advised that the Cabinet report would address these matters. A total of £3.35 million in commissioning savings was proposed next year. The savings would rest on assumptions relating to packages of care and how the market would respond to these. The Directorate would always endeavour to get better value from providers at lower cost to the authority.
- Responding to a question from the Committee, the Director stated that the service offer proposals will carry more risk to the authority the lower the cost is. In Cardiff, residents have seen a commitment to the vulnerable from the authority. The Directorate now needs sustainability in terms of its resources. The City's has a growing population of older people and consideration also needs to be given to the impact of poverty on family life. Financial modelling indicates that the rate of growth of spend is slowing.
- Members noted that the Directorate has continually overspent its budget over many years. The Director was asked when the Directorate would be in a position to move beyond the failures of its predecessors. The Director indicated that the Service Strategy proposals would put the Directorate in a much better position, where fewer surprises will be expected.

- The Chair asked the Director to comment on the structure of the directorate's budget. Members were advised that the Directorate is supported corporately and the Director was not dissatisfied with the budget received. The Chair clarified his point insofar as it related to how the budget is constructed. The Director stated that budget monitoring reports are transparent and these are used to identify trends. The Directorate was trying to achieve a balanced position and the 5 to 10-year strategy will provide a financial envelope within which the Directorate must operate.
- Members asked whether officers were satisfied with the quality of domiciliary care which is provided in the City. The Director stated that domiciliary care has been subjected to 3 separate inspections over the last 12 months. Feedback from those inspections has been very good, although the Director accepted that there was still work to do. An Escalation Procedure was in place and is applied where services are not up to standard.
- Members asked whether, if there were no overspends, the Director considered the base budget to be sufficient. The Director advised that the Adult Services budget was stable – with the exception of a 7% increase in domiciliary care charges. The Childrens Services base budget is more difficult to predict. The Director stated that his objective it to eliminate overspends in the future and that is what the service is working towards.
- The Director acknowledged that the 6% rise in inflation that is predicted over the next 3 years has been taken into account. Inflation is flagged on as a budgetary pressure on the service.

RESOLVED – That following the meeting the Chairperson write on behalf of the Committee to the Chief Executive and the Section 151 Officers outlining the Committee's comments.

Finance

47 : FINANCE UPDATE

The Committee received a report providing an update on the Council's financial position. The Corporate Director Resources advised that work was on going to achieve a balanced position on the budget by the end of the financial year.

Month 6 revenue monitoring shows a projected overspend of £537,000 which represented an improvement of £313,000 on the Month 4 position. The majority of directorates are reporting improved positions compared to Month 4.

Members were advised that the overall position reflects financial pressures and shortfalls against savings targets in directorate budgets which were offset by budget savings on capital financing, the release of contingency budgets, an anticipated surplus on Council Tax collecting and NDR refunds on Council properties. Directorate budgets are projected to overspend by £6.643 million, however it is anticipated that this will be reduced by the year end. The current position included projected overspends in Social Services, City Operations, Governance and Legal Services and Corporate Management. The directorate overspends were partly offset by the £4 million contingency budget. The Corporate Director Resources provided

Members of the Committee with an overview of the financial position of each Directorate.

Members were advised that the potential overspends include a projected shortfall against the savings identified for each directorate as part of the 2016/17 budget, together with shortfalls in savings targets carried forward from the previous year. An overall shortfall of £5.611 million is anticipated for 2016/16. A projected shortfall of £1.751 million has been identified from 2015/16. Where possible the shortfalls have been offset by savings in other budget areas.

The Cabinet and Council approved the Budget Strategy report in July 2016. Directorates have reviewed and updated their savings proposals and tested their achievability as part of establishing a balanced budget position for approval by Council in February 2017. The Budget Strategy Report indicated a budget gap of £24.3 million in 2017/18 and £75.3 million over the period to 2019/20. Directorate savings were expected to amount to £43 million over the three years. The 2017/18 Budget Proposals Consultation Report was approved by Cabinet on 10 November 2016.

Members were asked to note that the Welsh Government's Provisional Local Government Settlement was announced on 19 October 2016 which set out a cash increase of 0.3% in Aggregate External Finance for Cardiff. This equated to £1.437 of additional cash, but other factors including additional responsibilities mean that the true cash increase for Cardiff was £887,000.

Members noted the provisional settlement figure and asked whether the Welsh Government had confirmed the allocation of specific grants. Officers advised that they have not received confirmation of specific grant funding from the Welsh Government. It was anticipated that more information in respect of grant funding would be included in the final settlement announcement.

In terms of the budget consultation, Members asked officers to clarify whether any organisations affected by the proposals would be consulted with during the consultation period. The Corporate Director Resources confirmed that consultation with any organisations affected by the budget proposals was ongoing. Information regarding the organisations affected was available to Members but the information was not yet in the public domain.

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

48 : FINANCIAL RESILIENCE SNAPSHOT MONTH 6

The Committee received a report providing Members with items of information which help support financial resilience and provide information and benchmarking data on the Council's financial resilience,

These included the following;

- Financial Resilience Snapshot – Month 6 2016/17;
- Financial ratios derived from the Statement of Accounts on an All Wales basis for 2013/14 and 2014/15;

- An Earmarked Reserves Protocol for the Council which includes earmarked reserves balances 31 March 2016;
- The approach and policy on Minimum Reserve Position.

Members noted that 19.5% of projected savings for 2016/17 were currently unachieved. Members asked whether the process for achieving savings was resilient and robust. The Corporate Director Resources advised that an exercise was undertaken to understand what unachieved savings related to timing delays and what was unachievable. Those savings considered to be unachievable are written off. Members asked for further details of how savings are identified as being unachievable and how that is analysed. The Corporate Director Resources indicated that a number of processes are used.

Members noted that the contingency budget has been reduced by 25% in 2017/18. Officers commented that the contingency budget has been £4 million for a number of years during which the authority was faced with achieving £40 million in year savings. Next year the authority must achieve £17 million savings and it was the view of the Corporate Director Resources that the contingency budget should be reduced accordingly.

Members noted that Cardiff has the lowest level of reserves in Wales and asked whether keeping reserves at such a low level was 'dangerous'. Officers considered that the reserves were not dangerously low and argued that it may be considered that some authorities have too much in reserve. The report indicated that Cardiff's reserves are adequate.

RESOLVED – That:

- (1) the report be noted; and
- (2) the Committee agrees to continue to receive regular updates on financial resilience.

Governance and Risk Management
49 : CORPORATE RISK REGISTER

The Committee received the Corporate Risk Register (CRR) 2016/17 Mid-Year Update.

Chris Pyke and Vivienne Pearson were invited present the report.

Members were advised that the CRR consists of 24 risks which are assigned to members of the Senior Management Team. Each risk has been reviewed and updated to reflect the mid-year position. The CRR was presented to the Senior Management Team on 15 November 2016 to gain their collective agreement.

The review of the CRR resulted in the following changes:

- Two new risks have been added – Promoting Independence (to replace Transfers of Care) and Safeguarding

- Two risks have been downgraded from red to red/amber – Organisational Development and Performance Management
- One risk was downgraded from red/amber to green – Schools SOP
- One risk has remained with the same overall priority rating – Information Governance
- Two risks have been removed – Local Development Plan and Delayed Transfers of Care

Members welcomed the review and engagement with Directorates and asked how much further this engagement can go. Officers stated that the review was well received by the management team. Officers felt that the risk register can assist the management team by informing that decision-making process.

Members of the Committee requested that future reports include an indication of where risk is deteriorating and needs to be addressed. Officers stated that they plan to include this level of detail in future reports.

The Chair asked whether cyber security was reflected in the CRR. Members were advised that such concerns are reflected in elements of the register but officers can look to assess cyber security issue in its own right. The Chair considered that cyber security was increasingly prevalent an issue and therefore it was relevant to ask the question.

RESOLVED – That the content of the Corporate Risk Register be noted.

50 : SENIOR MANAGEMENT ASSURANCE STATEMENTS

The Head of Finance presented a report summarising the completed Senior Management Assurance Statements (SMAS) for the mid-year position 2016/17. Appended to the report was a summary of the questionnaire returned by Senior Management Team officers.

Members asked how the appropriateness of responses was assessed and whether responses were open to external challenge. Members were advised that the responses were representative of the directorate body. An additional exercise would be undertaken to engage with staff below senior management level. This would be subject to independent evaluation.

Officers confirmed that assurance statements are provided in those instances where the responses are classified as 'partly'. The Chair suggested that the document could be improved if these 'partly' responses were provided in the future.

51 : AUDIT COMMITTEE SELF ASSESSMENT FEEDBACK/ACTION PLAN

The Committee received the results of the Committee's Self-Assessment Workshop that was completed on 19 September 2016. The Committee also received that Self-Assessment Improvement Actions.

Members were advised that the self-assessment identified that Members of the Committee had not been assessed against the core knowledge and skill framework. The Action Plan proposed that Members be assessed in order to provide assurance to the Audit Committee, that as a collective, the key skills are present. It was recommended that this be trialled in January 2017 with a view to a deeper analysis later on in the year.

The three areas that were identified as partly complete related to the terms of reference of the Audit Committee. It was agreed that a review of the terms of reference of the Audit Committee was necessary in order to provide further clarity of purpose.

Two items were taken forward from the previous self-assessment: the Audit Committee reinforced the importance of being assured that there was optimum use of resources and the continuing need to monitor the performance of the Audit function. The second item related to ensuring that the relationship between the Audit Committee and Scrutiny was clearly defined.

RESOLVED – That the self-assessment action plan be approved

52 : WALES AUDIT OFFICE

Janet McNicholas from Wales Audit Office (WAO) indicated that there were no Wales Audit Office (WAO) reports for Members to consider. Ms McNicholas referred to the Statement of Audited Accounts. Members were advised that WAO were planning to issue the certificate of completion by the end of the financial year.

Members of the Committee discussed the reasons for the delay in issuing the certificate of completion. The Committee considered that the Council was put in a difficult position as a result of late representations being received from a small number of respondents. Members asked whether WAO have considered implementing a mechanism which would prevent late, possibly malicious, questions being submitted. It was suggested that questions could be submitted within a certain timeframe.

Janet McNicholas stated that the receipt of representations is set out in the Public Audit Wales Act and any changes would require a change in legislation. The Head of Finance stated that WAO have advised that residents cannot be prevented from submitting representations, but a contingency plan can be put in place to ensure that late representations are managed in an appropriate manner.

The Corporate Director Resources stated that the authority's accounts are on public display throughout the consultation period. The authority should expect to receive questions during the proper period. It was suggested that the public notice should specify a time period for the submission of responses. The Committee requested WAO to address these matters with the Welsh Government.

53 : WAO TRACKER/OTHER STUDIES

The Committee received a report providing Members with an update on the programme of works planned to be conducted by the Auditor General during 2016/17. Members were advised that during the period of October and early

November two local government study reports have been issued in relation to Community Safety in Wales and the Strategic Approach of Councils to Income Generation and Charging for Services.

The recommendations from both study reports were appended to the report. Members were asked to note that particularly in respect of the report for Community Safety a number of the recommendations equally applied to the Welsh Government and Police and Crime Commissioner..

The Committee requested that the Committee receive an update on study reports, as appropriate, at a future meeting.

RESOLVED – That the report be noted.

Treasury Management

54 : 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 providing Treasury Management performance information and position statements as at 31 October 2016. The Chairperson invited Nicola Greenwood to present the report.

The position statements in terms of investments and borrowing were appended to the report. The Committee was asked to note that there has been little change since the previous position reported to the Committee in September 2016.

RESOLVED – That the report be noted.

55 : HALF YEAR 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 the Treasury Management Mid-Year Report 2016/17.

RESOLVED – That the report be noted.

Internal Audit

56 : PROGRESS UPDATE

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

Councillor Howells declared an interest in this item under the Members Code of Conduct as he was currently a school governor.

Members received a report providing an update on the work of Internal Audit to 30 September 2016. Members discussed the findings set out in the appendix to the report. The Committee sought clarification on a number of those issues.

The Committee raised concerns regarding the resources available to the Investigations Team. Members considered that the issue of the resources available to the Audit Section was a recurring theme but the Head of Finance stated that there was no evidence that was the case.

RESOLVED – That:

- (1) The report be noted;
- (2) The Committee's concern regarding the resources allocated to the Investigations Team be noted;
- (3) The Prosecutions Policy be drafted to include a mechanism via which the authority is able to recover legal costs.

57 : INTERNAL AUDIT NO ASSURANCE REPORTS

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 at its meeting on 19 September 2016 requested that the No Assurance Audit Reports documented at that meeting, and any other further issues identified since, be reported at this meeting. The Head of Finance presented an update on progress made since the No Assurance reports in respect of Riverbank Special School and Woodlands High School.

RESOLVED – That:

- (1) The report be noted;
- (2) The Head of Finance provide Members of the Committee with the Estyn Inspection report for Riverside Special School.

58 : VALUE FOR MONEY

The Committee received a Value For Money studies update report.

Members were advised that agency spend analysis compared data from 2015/16 to 2014/15. Expenditure on agency spend remained fairly static. Committee Members requested a breakdown of where agency spend is considered to be justifiable. The Head of Finance stated that, whilst there may be an element of subjectivity, he could ask service areas for this information. Members also requested a report comparing terms and conditions for this authority's staff with the terms and conditions of other authorities. The Head of Finance agreed to report this to a future meeting also.

RESOLVED – That:

- (1) The report be noted;
- (2) The Head of Finance present a report providing a breakdown of justifiable agency spend across service areas and a clarification of the £16m agency spend to a future meeting.
- (3) The Head of Finance present a position statement report on staff terms and conditions and a comparison with terms and conditions in other authorities.

59 : PUBLISHED SCRUTINY LETTERS

RESOLVED – That the report be noted.

60 : WORK PROGRAMME UPDATE

RESOLVED – That:

- (1) The report be noted;
- (2) The Corporate Director Finance circulate the Cabinet report on the Building Maintenance Framework for comment prior to the report be presented to Cabinet in January 2017.

61 : URGENT BUSINESS

No urgent business.

62 : DATE OF NEXT MEETING

The next meeting of the Committee is scheduled to take place on 24 January 2017.

The meeting terminated at 5.00 pm

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**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD****AUDIT COMMITTEE: 24 January 2017**

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

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 2016/17 and gives an update on the preparatory work for 2017/18 and the medium term.

Issues**Financial Monitoring**

3. The Cabinet considered the Month Six Monitoring Report on 21 November 2016 and a summary of this was presented to the Audit Committee at its meeting on 29 November. 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 16 February. For information, a summary of the month six monitoring position is set out below. The key issues identified at month six are not expected to change significantly however it is anticipated that further improvements to the overall position will be reported as the year progresses. Work is currently progressing on the month nine monitoring position and this will be reported to the Committee at its meeting on 28 March.
4. Overall, the month six revenue monitoring for the Council showed a projected overspend of £537,000 an improvement of £313,000 compared to the position reported at month four. The improvement reflected a number of factors including further savings identified in directorate budgets, additional surplus on Council Tax collection and further NDR refunds on Council properties. These were partially offset by an increase to the projected overspend in the Social Services Directorate reflecting increased demographic and cost pressures and a reduction in the level of budget savings anticipated to be achieved. The majority of directorates reported improved positions compared to month four.
5. The overall position continued to reflect financial pressures and shortfalls against budget savings targets in directorate budgets although these were partly offset

by projected savings on capital financing, the release of contingency budgets previously earmarked to fund voluntary severance costs, an anticipated surplus on Council Tax collection and NDR refunds on Council properties. Directorate budgets were projected to be overspent by £6.643 million however it is anticipated that continued management actions will enable this to be reduced by the year end. The position included projected overspends of £5.581 million in Social Services, £771,000 in City Operations, £469,000 in Corporate Management and £42,000 in Governance & Legal Services. The directorate overspends were partially offset by the £4.0 million general contingency budget which was maintained as part of the 2016/17 budget in order to reflect the quantum, risk and planning status of the proposed savings for 2016/17.

6. The potential overspend includes a projected shortfall against the savings identified for each directorate as part of the 2016/17 budget together with any shortfalls against savings targets carried forward from the previous year. At month six an overall shortfall of £5.611 million was anticipated against the £25.892 million directorate savings target with £10.412 million having been achieved to date and a further £9.869 million anticipated to be achieved by the year end. A projected shortfall of £1.751 million was also identified in relation to savings targets carried forward from 2015/16. The projected shortfalls are reflected in the directorate monitoring positions although where possible shortfalls have been offset by savings in other budget areas. The July Cabinet meeting approved the Budget Strategy Report for 2017/18 and identified the significant financial challenges that the Council faces in the medium term. The projected under-achievement of identified savings in 2016/17 together with those carried forward from the previous year underlines the difficulties of achieving year on year savings across the Council.
7. Actions are continuing to be taken by those directorates currently reporting a projected overspend to try to resolve the issues that led to the current position or alternatively to identify offsetting savings in other areas of the service. These are considered as part of the challenge process to review the performance of directorates including the budget monitoring position. In addition, the Chief Executive holds regular meetings with directors to identify measures to reduce the level of spend across the Council with the intention of improving the overall position as the year progresses. In addition, the Chief Executive has implemented a number of management actions with a view to achieving a balanced position by the end of the financial year. This includes measures relating to the purchase of goods and services, staffing arrangements and maximising income.
8. The Capital Programme for 2016/17 amounts to £127.023 million of which £101.538 million is in respect of General Fund schemes and £25.485 million is in relation to the Council's Public Housing schemes. Against this, the projected outturn for 2016/17 was £102.732 million resulting in a total variance of £24.291 million. The most significant variance was in relation to the construction of the new Eastern High School with slippage also identified against a range of other schemes including £2.4 million against Public Housing schemes. Directorates have been reminded of the need to avoid slippage wherever possible by ensuring that their project plans and profiles of activity are robust.

Budget Preparation

9. Following the approval of the Budget Strategy report by Cabinet and Council in July 2016, directorates spent the summer reviewing and updating their savings proposals and testing their achievability as part of establishing a balanced budget position for approval by Council in February 2017. The Budget Strategy report indicated a budget gap of £24.3 million in 2017/18 and £75.3 million over the period to 2019/20. Within those figures, directorate savings were expected to amount to some £43 million over the three years with the balance accounted for through other strategy assumptions including increases in Council Tax.
10. Work was carried out to update and review the budget strategy assumptions and to undertake due diligence on the initial 2017/18 savings proposals. Due diligence work was also undertaken in respect of the budget savings shortfalls identified as part of the budget monitoring process in the current financial year in order to form a view regarding the future achievability of these savings. The outcome of this work together with the identification of further budget pressures and an updated funding position following the announcement of the Provisional Settlement in October was reflected in the 2017/18 Budget Proposals – For Consultation Report which was approved by Cabinet on 10 November. This identified a budget reduction requirement of £25.1 million for 2017/18 an increase of £0.8 million compared to the Budget Strategy Report in July. The formal budget consultation commenced on 10 November and ran until 16 December. The results of the consultation process are being considered by Cabinet as part of preparing their final 2017/18 budget proposal.
11. The Welsh Government’s Final Local Government Settlement was announced on 21 December and set out a cash increase of 0.5% in Aggregate External Finance (AEF) for Cardiff. This compares to a Welsh average increase of 0.2%. The published increase of 0.5% equates to additional cash of £2.298 million, however other factors including the impact of new responsibilities mean that the true cash increase for Cardiff is only £294,000. When these factors are taken into account the result is a net reduction of £593,000 as compared to funding in the Provisional Settlement. A number of specific grants have yet to be confirmed and this will need to be kept under review. The Final Settlement also contained an increase in General Capital funding of 0.3% equating to £41,000 in cash terms. This is in line with the Provisional Settlement.
12. Cabinet are currently reviewing their budget proposal to reflect the final settlement, the results of the consultation process and updates to the budget reduction requirements for 2017/18, including reflection of the updated Council Tax base as approved by Cabinet in December 2016. Their final draft proposal will be presented to the Cabinet meeting on 16 February 2017. The Council’s Budget will then be considered and set by Council at its meeting on 23 February.

Reason for Recommendations

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

Legal Implications

14. No direct legal implications arise from this report.

Financial Implications

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

Recommendations

16. To note the financial information provided and the process being adopted in respect of budget preparation for 2017/18 and the medium term.

**CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
January 2017**

AUDIT COMMITTEE: 24 JANUARY 2017

AUDIT COMMITTEE ANNUAL REPORT 2016/17 - DISCUSSION**AGENDA ITEM: 5.1**

Reason for Report

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

Background

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

Issues

6. The purpose for today's meeting is to raise members' awareness of the review of audit committee meeting agenda's and minutes held so far this year. This also gives the Committee an opportunity to raise any issues they wish to have included in the report.
7. This initial review has identified six key issues that are framed as follows;
 - Organisational Development Programme
 - Financial / Internal Control
 - Contract and Procurement matters
 - School governance and Compliance
 - Financial resilience (including Treasury Management)
 - Budget prioritisation / Control
8. The draft report will be prepared following feedback from Audit Committee members with a further progress update to be submitted at Audit Committee on the 14 March 2017

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. Members of the Committee to consider and contribute to the draft Audit Committee's Annual Report 2016/17 discussion.
12. The Draft report will be brought to the next meeting, on the 14th March 2017, for approval.

**CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES**

CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE: 24 January 2016

AGS ACTION PLAN (MID-YEAR 2016/17)

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 5.2

PORTFOLIO:

Reason for this Report

1. The Audit Committee Terms of Reference requires their 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 2016/17, as assessed by the Senior Management Team (SMT). The year-end position will be reported in the Annual Governance Statement 2016/17.

Background

4. The AGS is a key governance document which forms part of the Statement of Accounts. It is underpinned by the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016, as adopted by the Council.
5. On 29 November 2016, Audit Committee considered the Mid-Year SMAS responses. The Mid-Year AGS Action Plan of significant governance issues is included in appendix A.
6. The draft AGS for 2016/17 will be presented to Audit Committee for comment on 14 March 2017.

Issues

7. The Chief Executive and the seven Directors each reviewed the AGS Action plan of four significant governance issues carried forward from 2015/16. On 15 November 2016 SMT collectively discussed and agreed the current position.
8. It was agreed that at the mid-year position three of the significant governance issues were still applicable as currently drafted. These were:
 - WAO Corporate Assessment Follow On Report
 - Capacity & Decision Making
 - Commissioning Capability and Capacity
9. It was felt that the issue of the 'transparency of internal market costing' should be widened to reflect the need to ensure internal function activities and performance are 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.
10. Appendix A includes a description of each of the significant governance issues and the mid-year assessment.

Reason for Recommendations

11. To inform Audit Committee of the senior management assessment of significant governance issues at the mid year position.

Legal Implications

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

Financial Implications

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

Recommendations

14. Audit Committee to consider the AGS Action Plan of significant governance issues at the mid-year position 2016/17 and comment on if it reflects the risk environment and supporting assurances.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
Date: 24 January 2016

The following appendix is attached:

Appendix A - Significant Governance Issues - Mid-Year Assessment 2016/17

Significant Governance Issues - Mid-Year Assessment 2016/17

Significant Issues - 2015/16 Year End	Mid-Year 2016/17 Review Assessment
<p>WAO Corporate Assessment Follow On Report</p> <p>The WAO Corporate Assessment Follow On report was received formally by Cabinet on 10 March 2016. The report made one formal recommendation and 14 'proposals for improvement' relating to various corporate matters including governance issues.</p>	<p>The Council's Statement of Action in response to the findings of the Wales Audit Office follow-on report is being progressed. The Statement of Action is being monitored on an ongoing basis by the Council's Cabinet Office, and on a quarterly basis by SMT. In Quarter 3 of 2016-17 the Statement of Action will also be presented to the Policy Review & Performance Committee and the Cabinet.</p> <p>There are no significant issues with progress against the Statement of Action: most actions are rated as 'green', many have been completed and the few which are rated as 'amber' are being carefully monitored and mitigating action is in place.</p> <p>Work continues to link ODP, Corporate Plan and Budget Strategy in order to show alignment between these three key strategies.</p>
<p>Capacity & Decision Making</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>Directorate Delivery plans are checked across statutory obligations such as Wellbeing for Future Generations Act and Budget savings and pressure proposals.</p> <p>A revised Directorate Delivery Planning approach will be in place for 2017-18, and the design will take account of the need to map interdependencies between different areas of the Council and to ensure appropriate allocation of resources.</p> <p>There is an ongoing need to ensure that staff are given reasonable timescales in order to provide full and robust professional advice.</p>

<p>Commissioning Capability and Capacity</p> <p>In the new Organisational Framework this will be a critical competency and capability. The success of a number of programmes depends on having this capability and capacity in place e.g. Health & Social Care transformation.</p>	<p>A Commissioning Strategy is being drafted and has been deliberately separated from the Procurement Strategy in order to emphasise the differences between the two disciplines.</p> <p>The Commissioning Strategy will need to be framed based upon a clarified organisational view of the required approach. Engagement on strategy requirements will explore best practice approaches.</p>
<p>Transparency of Internal Market Costing</p> <p>The Council's internal charging arrangements are not always sufficiently transparent in terms of rate setting, monitoring and charging. Some council wide arrangements, for instance the timescales operated by Service Desks are not always sufficiently aligned to the requirements of business critical services within Directorates.</p>	<p>This action will be reframed and incorporated in to a revised issue as follows...</p> <p>Relevant Costs and Decision Making</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>

AUDIT COMMITTEE: 24 JANUARY 2017

**SCRUTINY AND AUDIT PROTOCOL UPDATE
REPORT OF THE CORPORATE DIRECTOR RESOURCES**

AGENDA ITEM: 5.3

Reason for this Report

1. To provide the opportunity to update Audit Committee on the protocol between Scrutiny and Audit.

Background

2. The intended purpose of the Scrutiny and Audit Protocol will be to clarify the respective roles of the Audit Committee and the Scrutiny Committees of the Council.
3. The objectives being sought by the protocol were as follows:
 - clarifies the purpose and objectives of Audit and Scrutiny Committees;
 - provides detail of which Committee is responsible for certain key roles;
 - facilitates sharing of information and work programming;
 - outlines the option to refer matters between Committees;
 - facilitates Committee engagement at Member and Officer levels.
4. The Agenda today is considering a revised Audit Committee Terms of Reference with no change suggested in respect of its interaction with the scrutiny function.

Issues

5. Consultation was held with Members and Senior managers in November with a progress report issued to PRAP members in December. Further consultation with other stakeholders will continue in January leading to a report to Constitution Committee on 9 February 2017.
6. As a result of this review of the Scrutiny function, it is suggested that the Audit Scrutiny Protocol is reviewed after this exercise is completed.

Reasons for Recommendations

7. To update the Audit Committee on the position in respect of the creating of an Audit / Scrutiny Protocol.

Legal Implications

8. No direct legal implications arise from this report.

Financial Implications

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

Recommendations

10. To note the contents of the report.

**CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES**

**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD****AUDIT COMMITTEE: 24 January 2016**

WAO TRACKER / OTHER STUDIES (MID-YEAR 2016/17)**REPORT OF CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 7.1**

PORTFOLIO:**Reason for this Report**

1. The Audit Committee's Terms of Reference requires that members consider specific reports as agreed with the external auditors.
2. This report has been prepared to provide Audit Committee members with an update on the programme of work planned to be conducted by the Auditor General during 2016/17.

Background

3. The Auditor General for Wales undertakes a range of audit work in relation to improvement under the Local Government (Wales) Measure 2009.
4. This 'Tracker' sets out the programme of Wales Audit Office (WAO) work, together with the indicative timeframes for reports.
5. The following Local government studies anticipated to be completed during 2016/17 were as follows:
 - Financial Position and Resilience (follow up study)
 - Council Funding of Third Sector Services
 - Strategic Approach of Councils to Income Generation and Charging for Services
 - Strategic Commissioning
 - Public Procurement and the National Procurement Service
 - Waste Management
 - School Places and Capital Investment in Schools Arrangement

Issues

6. During the period 11 November 2016 to 6 January 2017 there were no WAO reports issued of particular relevance to Local Authorities.

Reason for Recommendations

7. To present the update on the Auditor General's improvement work programme and to consider whether or not either of the reports mentioned are considered at a future audit Committee.

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. To note that in the reporting period there were no WAO reports issued of particular relevance to the Council and Audit Committee.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
Date: 24 January 2016

**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**

AUDIT COMMITTEE:

24 JANUARY 2017

**TREASURY PERFORMANCE REPORT – POSITION AT 31
DECEMBER 2016**

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 8.1

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

PORTFOLIO: CORPORATE AFFAIRS

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices.
2. This report has been prepared to provide Audit Committee Members with performance information and a position statement on Treasury Management as at 31 December 2016.

Background

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

Performance

4. At 31 December 2016, investments total £75.1 million. The forecast level of interest receivable from treasury investments is £0.5 million.
5. Borrowing is £675.3 million, with the average rate being 4.78%. The total interest forecast to be payable is £32.4 million as at the Month 9 budget monitoring position. No new PWLB borrowing is currently planned for the remainder of the financial year. Based on current capital programme commitments, the estimated level of internal borrowing at 31 March 2017 is £52 million.

6. Pages 2 and 3 of both Performance Reports consider the position on investments. The charts on the Performance Report show the position at a point in time and investments continue to be closely monitored.
7. The current investments list details each investment, the interest rate, the start date and maturity date. They also link this back to the credit criteria approved by Council in February 2016 by a colour coding which indicates the perceived strength of the organisation.
8. The balance of investments is at a point in time and will fluctuate depending on the timing of income and expenditure e.g. payments to suppliers, receipt of grants, capital receipts etc.
9. The charts that surround this table provide additional information and the key areas to highlight are shown below.
 - **Counterparty Exposure** displays actual investment against the maximum permitted directly with an organisation – This demonstrates that we are not exceeding any exposure limits.
 - **Remaining Maturity Profile of Investments.** Maturities of investments have been spread to achieve a balanced profile.
 - **Investments by Institution.** This expresses the investments held with different institutions as a percentage of the total. It can be seen that investments remain diversified over a number of organisations.
 - **Geographic Spread of Investments** as determined by the country of origin of relevant organisations. All countries are rated AA and above as per our approved criteria.
 - **Investments by Financial Sector.** The majority of investments are with banks.

Borrowing

10. Since the October 2016 performance report, £1 million of maturing Market loans have been repaid and interest free loans of £2.25 million received to date from WG and SALIX for specific capital projects have been included.

Reason for Report

11. To provide Audit Committee Members with a performance position statement at 31 December 2016.

Legal Implications

12. No direct legal implications arise from this report.

Financial Implications

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

Members the treasury position. Future reports will highlight main changes since this report.

RECOMMENDATIONS

14. That the Treasury Performance Report for 31 December 2016 be noted.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
15 January 2017

The following appendix is attached
Appendix 1 – Cardiff Council Treasury Management Performance Report – 31
December 2016

Draft

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

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DRAFT TREASURY MANAGEMENT STRATEGY 2017/18

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 8.2

PORTFOLIO: CORPORATE AFFAIRS

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices.
2. This report has been prepared to provide Audit Committee Members with the draft Treasury Management Strategy for 2017/18.

Background

3. The proposed strategy for 2017/18 is required to be approved as part of the Budget Report to Council in February 2017. The strategy is attached for Committee to review at Appendix 1.

The Strategy

4. The strategy covers the following areas:-
 - 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 2017/18 to 2019/20
 - Investment policy and strategy, including security and investments approved for use.
 - 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 2017. 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 being prepared and approved. Council to retain a single integrated pool of debt
- The medium term shows an increase in the Council's underlying need to borrow to meet capital expenditure commitments
- Retention of a prudent approach to provision for debt repayment as 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 an element of internal borrowing, whilst setting aside sufficient financial provision to ensure external borrowing can be accommodated if needed.
- HRA debt as measured by Capital Financing Requirement is within the agreed debt cap
- Little change in investment parameters from existing strategy. The priority for investments is security, with the Strategy retaining the potential use of a range of investment options to increase diversification where possible.
- Interest rates on investments are likely to remain low
- Strong credit criteria are set for investments undertaken by the Council based on Fitch Credit Criteria and other factors taken into account in determining with whom to invest.
- The Strategy is consistent with the Prudential Code and Welsh Government guidance on investments.
- 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 that the resultant financial implications for the Council can be effectively managed.

Reason for Report

7. To note the proposed Treasury Management Strategy for 2017/18 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 2017/18 and Medium Term Financial Plan to be considered by Council.

RECOMMENDATIONS

10. Audit Committee to note the proposed Treasury Management Strategy for 2017/18 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 2017/18 Budget Proposals Report.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
15 January 2017

The following appendices are attached
Appendix 1 – Draft Treasury Management Strategy 2017/18

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Draft

Treasury Management Strategy

The County Council of the City and County of Cardiff

2017/18



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1 Treasury Management

1.1 Treasury management involves:-

- ensuring cash is available when needed
- investing temporary cash balances and
- ensuring appropriate borrowing facilities to pay for the Council's capital expenditure commitments and for the prudent management of its financial affairs.

1.2 The Council carries out its treasury management activities in accordance with a Treasury Management Code of Practice developed for public services in 2011 by the Chartered Institute of Public Finance and Accountancy (CIPFA). This requires the Council to set out the policies and objectives of its treasury management activities and adopt the four Clauses of Treasury Management. These were formally adopted by the Council in February 2010. Appendix 1 includes a glossary of terms used in relation to Treasury Management.

1.3 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.

1.4 A number of reports are produced in relation to the Council's treasury management activities including a strategy at the start of the year, performance reports during the year, a mid year report and an outturn report.

2 Treasury Management Strategy

2.1 The Strategy links plans for capital investment, financing and affordability of those plans and how cash will be safely managed to meet the Council's financial commitments and objectives.

2.2 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.

2.3 The successful identification, monitoring and control of risk are integral elements of treasury management activities. Risks include credit and counterparty, liquidity, interest rate, refinancing, fraud and regulatory. The Council has Treasury Management Practices to address and mitigate these risks which were last updated in March 2016 following a review by Internal Audit and Audit Committee.

2.4 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 Capita Asset Services Treasury Solutions includes advice on timing of decision making, training, credit

updates, economic forecasts, research, articles and advice on capital finance, with the terms of appointment reviewed periodically.

2.5 The proposed strategy is an integrated strategy for the Council including the Housing Revenue Account and is based on information known at the time of writing this report. Significant changes will be reported in future scheduled reports to Council, Cabinet and Audit Committee during the course of the year. The strategy includes: -

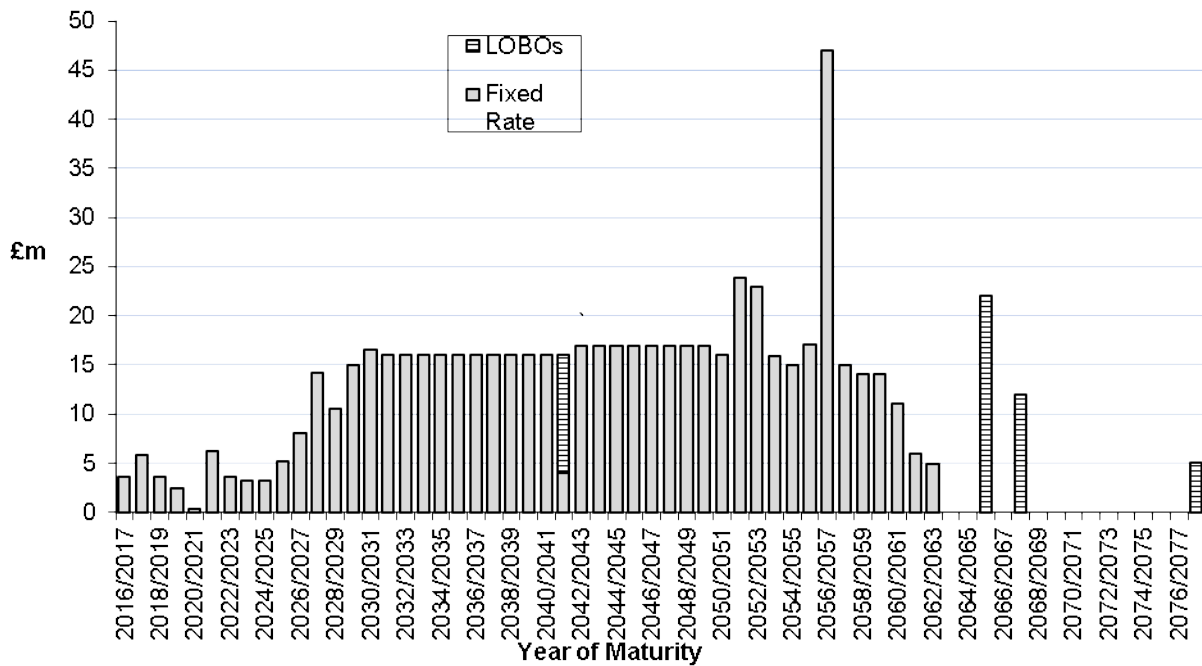
- The current treasury position
- Economic background and prospects for interest rates
- Capital Programme Plan and Capital Financing Requirement (CFR)
- Borrowing, including: -
 - Policy
 - Annual Minimum Revenue Provision (MRP) Policy Statement
 - Council borrowing requirement and choice between internal and external borrowing and
 - Borrowing Strategy
- Treasury management indicators and limits for 2017/18 to 2019/20
- Investment Policy and Strategy, including security and investments approved for use
- Training.

3 The Treasury Position

3.1 Borrowing and investments as at 31 December 2016 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.

	Principal £m	Average Rate %
External Borrowing		
- Public Works Loan Board	620.8	4.87
- Market Loans	51.0	4.02
- Welsh government	2.6	0.00
- Other	0.9	0.00
Total Debt	675.3	4.78
Treasury Investments	75.1	0.61

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



3.3 Loan maturities during 2017/18 are circa £6 million. Unless the Council's Lender Option Borrower Option loans (LOBO's) are required to be repaid early, very little debt matures within the next 10 years.

3.4 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.

3.5 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.

Lender Option Borrower Option (LOBO) Loans			
Potential Next Repayment Date	Loan Value £m	Option Frequency Every	Full Term Maturity Date
01/03/2017	6	6 months	23/05/2067
21/05/2017	6	6 months	21/11/2041
21/05/2017	6	6 months	21/11/2041
21/05/2017	6	6 months	23/05/2067
15/01/2018	5	5 years	17/01/2078
21/11/2020	22	5 years	23/11/2065

3.6 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 £5 million and £22 million

have call options in January 2018 and November 2020 respectively and every five years thereafter.

- 3.7 Risk of early repayment is deemed to be low, however in the longer term, options will need to be considered to reduce any potential large repayments in a single year.

4 Economic background and prospects for Interest Rates

- 4.1 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.

	January 2017 %	March 2017 %	March 2018 %	March 2019 %	March 2020 %
Bank Rate	0.25%	0.25%	0.25%	0.25%	0.75%
5yr PWLB rate	1.35%	1.60%	1.70%	1.80%	2.00%
10yr PWLB rate	2.08%	2.30%	2.30%	2.50%	2.80%
25yr PWLB rate	2.71%	2.90%	3.00%	3.20%	3.40%
50yr PWLB rate	2.46%	2.70%	2.80%	3.00%	3.20%

Forecast at December 2016

Financial markets remain volatile and economic forecasts remain uncertain particularly due to international political factors and the implications of the referendum vote in June 2016 on the economy. Growth and consumer confidence for the UK economy has remained strong however and inflation expectations in the short term have risen due to the fall in value of sterling impacting on the price of imports. Growth and inflation are two key factors used by the Bank of England in determining when to change interest rates.

- 4.2 The bank rate, was reduced in August 2016 to 0.25%, having remained unchanged since March 2009, and further quantitative easing and low cost funding was made available for bank lending to counter what the Bank of England forecast would be a sharp slowdown in the Economy. Given uncertainty re growth prospects, base rate is forecast to remain at current levels until 2019. As a consequence, and coupled with the Bank of England's funding for lending scheme, returns from Council investments are likely to remain minimal. In respect of future borrowing rates, PWLB rates have been experiencing significant volatility due to political events nationally and internationally, however the overall longer term trend is for borrowing rates to rise, albeit gently. This is as a result of higher levels of UK Government borrowing and reversal in quantitative easing. This will result in higher future borrowing costs for the Council.

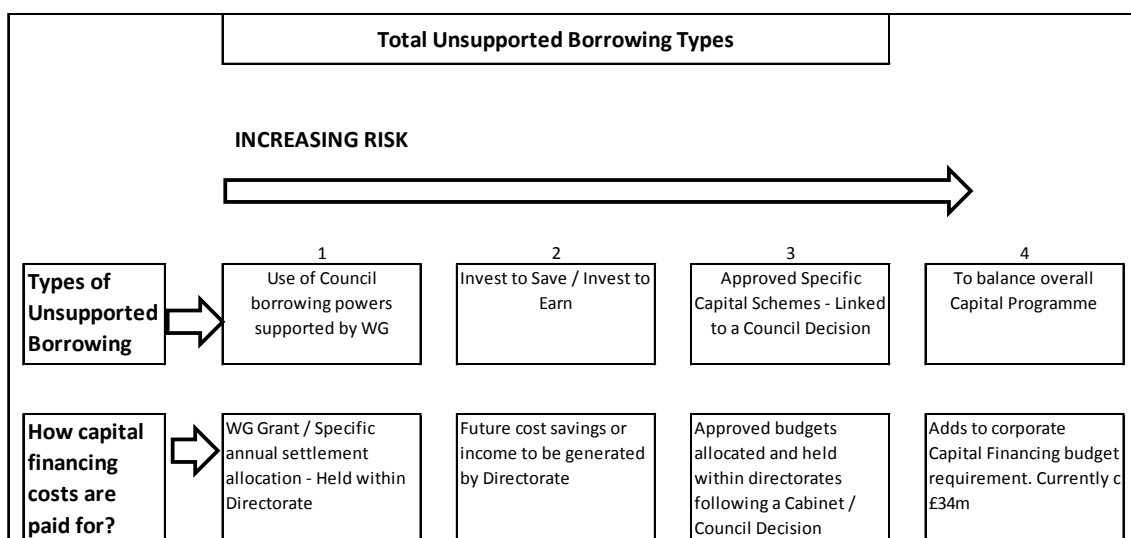
5 **Capital Programme Plan and Capital Financing Requirement (CFR)**

5.1 The detailed capital programme will be approved as part of the Budget Proposals in February 2017. 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 creating 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 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 including City Deal.
- Requirement for capital investment to meet savings targets, to generate income, to reshape the way services are delivered.
- Implementing the Council's 21st century schools investment programme by completion of band A and securing match funding for band B to commence in 2019/20.
- 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.

5.2 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.



5.3 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 from its revenue budget, a prudent provision for the repayment of historic capital expenditure. 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)

5.4 It is the Capital Financing Requirement that results in the need to borrow money. The actual CFR as at 31 March 2016 (Excluding provision for Landfill) and estimates for current and future years are shown below:

Capital Financing Requirement as at 31 March					
	2016 Actual £m	2017 Estimate £m	2018 Estimate £m	2019 Estimate £m	2020 Estimate £m
General Fund	432	451	476	474	479
Housing Revenue Account	277	274	287	298	301
Total	709	725	763	772	780

5.5 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 or Council Tax and Housing Rents.

5.6 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 as the level of demand continues to exceed funding. This clearly limits the scope for additional borrowing in future years and 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
- Use of control mechanisms for different types of unsupported borrowing before approval.
- 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

6 Borrowing

6.1 Borrowing Policy

6.1.1 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 budgets.

6.1.2 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. This includes Housing Revenue Account debt and investments for the reasons set out in the Budget report of February 2016.

6.1.3 The Council's Borrowing Strategy for 2017/18 and the capital financing revenue budgets included in the Medium Term Financial Plan (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.
- Reduction over time in the average rate of interest on overall Council borrowing.

- Ensuring any refinancing risk is manageable each financial year, using opportunities to re-profile borrowing where cost effective to do so both in the short and long term.
- Ensuring borrowing plans are aligned to known capital expenditure spending plans, the useful life of assets created, financial reserve levels and consistent with the prudent provision for the repayment of any such expenditure paid for by borrowing.
- Having regard to the effects on current and future Council Tax and Rent Payers.

6.1.4 The Council will only borrow if needed and not do so just to gain financially. However, this option may be considered if it is felt that by borrowing in advance of need up to a maximum of three years, there may be opportunities to lock into favourable long-term rates with associated credit risks that can be managed.

6.2 Prudent Repayment of Capital Expenditure – Annual Minimum Revenue Provision (MRP) Policy Statement for 2017/18

6.2.1 The Council has a statutory duty to calculate and set aside each year from its annual revenue budget an amount ‘which it considers to be prudent’. This results in a reduction in the Council’s underlying need to borrow (CFR).

6.2.2 Legislation does not define what constitutes a ‘prudent provision’. Instead WG has provided guidance and examples in order to interpret that term. Whilst authorities must consider that guidance, other approaches can be adopted if they are deemed prudent by the Section 151 Officer and individually designed for each local authority circumstance.

6.2.3 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.

6.2.4 Following consideration by Audit Committee in November 2016, it is proposed that the Council’s MRP Policy will be as included in Appendix 2.

6.3 Council’s Borrowing Requirement

6.3.1 The following table shows the level of external borrowing currently held by the Council and any scheduled loan repayments. It compares this to the projected CFR based on current, known estimates and timing of the Council’s capital expenditure plans, subject to approval of the Council’s budget in February 2017. The difference between the projected CFR in 2019/20 (£780 million) and the level of external borrowing after any planned repayments (£666 million) is £114 million, i.e. there is a requirement for further external borrowing over the medium term.

Gross Debt compared to Capital Financing Requirement					
	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
External borrowing at 1 April	470	666	673	671	668
Known New borrowing	202	14	4	tbc	tbc
Scheduled repayments	(6)	(7)	(6)	(3)	(2)
External Borrowing at 31 March	666	673	671	668	666
Capital Financing Requirement	709	725	763	772	780
Under / (Over) borrowing	43	52	92	104	114

6.3.2 To be meaningful for treasury management purposes, the CFR figures in this strategy exclude the accounting provisions for the management and aftercare of landfill sites which may not be incurred for many years to come. Accordingly, when setting the treasury indicators, landfill provision is excluded from the calculations, except for the setting of the Authorised Limit for external debt, which is required to be set under statute.

6.3.3 Some of the CFR may be financed by internal borrowing in the short term, dependent on the sustainability and risks of any internal borrowing position.

6.4 External versus Internal borrowing

6.4.1 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.

6.4.2 A high level balance sheet review undertaken at a point in time suggests that a maximum level of internal borrowing is circa £80 million. However, this is dependent on cash flows, the timing of use of Earmarked Reserves and provisions and longer term pressures in the Medium Term Financial Plan.

6.5 Borrowing Strategy

6.5.1 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.

6.5.2 The following strategy is proposed to manage the Council's Capital Financing Requirement: -

- 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 for an element of the Council's borrowing requirement will be taken as has been done in previous years.

6.5.3 If there was a significant risk of a sharp rise in long and medium-term rates, 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.

6.5.4 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.

7 Treasury Management Indicators and limits

7.1 Indicators and Limits for 2017/18 – 2019/20

7.1.1 The Council is required to set its treasury management indicators for the years 2017/18 - 2019/20. Appendix 3 gives further background in respect of the Prudential Indicators.

7.1.2 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 capital investment plans are within sustainable limits and that the impact upon future Council Tax payers and tenants is acceptable.

7.1.3 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 2016/17 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.

7.2 Authorised limit for external debt

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Limit for external borrowing and other long-term liabilities	780	802	802	802

7.2.1 This limit is consistent with known commitments, existing plans and proposals contained within the budget for capital expenditure, financing and revised accounting requirements in relation to Landfill obligations. The limit for the Council overall has been set at a constant level of £802 million for 2017/18 to 2019/20.

7.2.2 Whilst there is currently no self imposed or nationally imposed overall cap on the level of General Fund borrowing, the exit from the Housing Subsidy system set a cap for the Housing Revenue Account 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.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
HRA CFR forecast at 31 March	274	287	298	301
HRA CFR Current Cap	316	316	316	316
Headroom / (Excess)	42	29	18	15

7.2.3 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.

7.3 Operational boundary for external debt

7.3.1 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.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Boundary for external borrowing and other long-term liabilities	725	763	772	780

7.3.2 The Council's actual external debt represented by borrowing at 31 March 2016 was £666 million, with no significant other long-term liabilities.

7.4 Limits for fixed and variable interest rate exposure

Various upper limits must be set in order to manage risk and reduce the financial impact on the Council of any adverse movement in interest rates. The limits below reflect that whilst the majority of Council borrowing is currently at long term fixed rates, there could be exposure to

variable rates. This is in the form of interest on LOBO loans being changed early, the strategy to utilise internal borrowing where possible and short term external borrowing when required to manage cash flow.

	2016/17 %	2017/18 %	2018/19 %	2019/20 %
Upper limit for fixed interest rate exposure	100	100	100	100
Upper limit for variable rate exposure	25	25	25	25

7.5 Maturity structure of fixed rate borrowing

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 2017/18	Upper limit %	Lower limit %	Actual to Maturity %	Actual if LOBOs Repaid Early %
Under 12 months	10	0	0.53	4.83
12 months and within 24 months	10	0	0.87	0.87
24 months and within 5 years	15	0	0.95	4.21
5 years and within 10 years	20	0	3.19	3.19
10 years and within 20 years	30	0	21.35	21.35
20 years and within 30 years	35	0	24.29	22.51
30 years and within 40 years	35	0	26.46	26.46
40 years and within 50 years	35	0	19.84	16.58
50 years and within 60 years	15	0	1.78	0.00
60 years and within 70 years	5	0	0.74	0.00

8 Investments

8.1 Policy

8.1.1 The Council has regard to the WG Guidance on Investments issued in 2004 and its subsequent amendments, as well as the 2011 revised CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (the CIPFA Treasury Management Code).

8.1.2 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 its

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 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.

The Markets in Financial Instruments Directive (MiFID II) is to be implemented in the UK in January 2018. 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'.

Whilst there is likely to be additional administrative costs to the Council, the Council will aim to secure professional status with each organisation it invests with. Not doing so may limit the products and interest rates offered by financial institutions for what may be similar risk.

In order to secure professional status, the Council will need to demonstrate to each financial institution, that it meets certain Qualitative and Quantitative criteria. These are likely to include an assessment of expertise, size of portfolio, number of similar transactions undertaken in a year.

8.2 Specified Investments

8.2.1 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.

8.2.2 Specified investments may comprise up to 100% of the Council's total investments.

Instruments approved for use	Minimum Credit Criteria
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
Term deposits with variable rate and variable maturities up to one year e.g. structured investment products	Long-term A /Short-term F1
Deposits with banks wholly or partly nationalised or where guaranteed by high credit rated (sovereign rating) countries	Long-term A /Short-term F1 Assumed Government Guarantee

8.3 Non-Specified Investments

8.3.1 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 £60 million is to be set for non-specified investments including investments for greater than one year.

Instruments approved for use	Min Credit Criteria	Max % of total investments	Max. maturity period
Term deposits with Local Authorities (with maturities in excess of 1 year)	Assumed Government Guarantee	15	2 Years
Term deposits – banks and building societies (with maturities in excess of 1 year)	Long-term AA- /Short-term F1+	15	2 Years
Deposits over one year with banks wholly or partly nationalised institutions where guaranteed by high credit rated (sovereign rating) countries	Long-term A /Short-term F1 Government Guarantee	20	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 Constant Net Asset Value	60	Weighted Average Maturity 60 days
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

8.3.2 The Council uses money market funds and other collective investment funds which pool together investments in a diversified portfolio of products and sectors mainly high quality, 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.

8.4 Security

8.4.1 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). 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.

8.4.2 For internally managed investments provided by the private sector, the lending list for any new direct investment in an organisation is based on the following credit criteria:

Fitch Ratings (minimum)	Long-term	Short-term	Limit £m
Overnight to one year	A	F1	10
Overnight to two years	AA-	F1+	12
UK Part Nationalised Banks overnight to two years	A	F1	15

8.4.3 For internally managed funds the maximum limit for direct investment in any one group of related companies is £15 million.

8.4.4 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.

8.4.5 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.

8.4.6 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.

8.5 **Liquidity**

8.5.1 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.

8.6 **Investment Strategy**

8.6.1 Given uncertainty of financial markets, the Specified and Non Specified investments above allow for a range of products to be available to manage short term investment balances and diversification.

8.6.2 Given the likelihood of internal borrowing and the interest rate forecasts identified above, longer term investments above one year will be unlikely. The Debt Management Agency Deposit Facility will be used only as a last resort.

8.6.3 The Investment Strategy for 2017/18 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. Should the Council be

the Lead authority for the Cardiff Capital Region City Deal Joint Cabinet, then this flexibility initially is essential to ensure no adverse impacts on the Council in respect of Treasury management activities.

9 Treasury Management Training

- 9.1 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.
- 9.2 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) (Real and Notional)

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. This is termed the Real CFR. Revised accounting guidance from Wales Audit Office on accounting for Landfill Obligations requires a provision to be created and charged to capital. As this is for future spend, this is not incurred expenditure, hence caution needs to be adopted when comparing the latter figure compared to external borrowing to ensure borrowing in advance of need does not take place.

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.

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 of 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

Treasury management activities are the management of an organisation's 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 – Annual Minimum Revenue Provision (MRP) Policy Statement for 2017/18

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 via the RSG, reasonably in line with the period implicit in the determination of that 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 2017/18, a reduction from the 4.5% figure for 2016/17 and previous years. 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 £187million settlement buyout payment is to be at 2% straight line basis.
- 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 LGBI.
- 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) 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 at a local level. 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

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. Financing cost to Net Revenue Stream

The percentage of revenue budget set aside each year to service debt financing costs

3. 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.

4. 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.

5. Incremental impact of Capital Investment decisions on Council Tax / Average weekly Housing Rents

This shows the impact of new capital investment decisions included in the budget on the Council Tax and average weekly rent for HRA.

6. 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.

7. Adoption of CIPFA's Treasury Management Code of Practice

CIPFA's Code of Practice for Treasury Management in the Public Services (the CIPFA Code) primary aim is to ensure that public services manage and control the risks attached to its treasury functions in an efficient, effective and economic manner.

Accordingly, the adoption of the Code has been encapsulated in Local Authorities (Capital Finance and Accounting) Regulations that call for explicit compliance with the CIPFA Code.

8. Interest Rate Exposures

Recognition of the impact on revenue budgets of changes in interest rates as well as the need to ensure that local authorities maintain flexibility in their treasury strategy has resulted in the adoption of an interest rate exposure indicator

This indicator sets out for the following three years an upper limit for both fixed rate and variable rate exposure.

9. 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.

10. 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.

APPENDIX 4 – Approved list of Counterparties (Authorised to accept sterling deposits in the UK) (@ 31/12/16)

	£	Duration
Australia AAA		
Australia and New Zealand Banking Group	12m	2 years
Commonwealth Bank of Australia	12m	2 years
National Australia Bank	12m	2 years
Canada AAA		
Canadian Imperial Bank of Commerce	12m	2 years
Toronto Dominion Bank	12m	2 years
France AA		
Credit Industriel et Commercial	10m	1 year
Societe Generale	10m	1 year
Germany AAA		
DZ Bank (Deutsche Zentral-Genossenschaftsbank)	12m	2 years
Netherlands AAA		
Cooperatieve Centrale Raiffeisen Boerenleenbank (Rabobank Nederland)	12m	2 years
Singapore AAA		
DBS Bank	12m	2 years
Oversea Chinese Banking Corporation	12m	2 years
United Overseas Bank	12m	2 years
Sweden AAA		
Skandinaviska Enskilda Banken	10m	1 year
Svenska Handelsbanken	12m	2 years
Switzerland AAA		
UBS AG	10m	1 Year
United Kingdom AA		
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	15m	2 Years
Coventry Building Society	10m	1 Year
Nationwide Building Society	10m	1 Year
Local Authorities	15m	2 Years
Debt Management Agency Deposit Facility	n/a	6 Months
Money Market Funds		
BlackRock Institutional Cash Series Sterling Fund	12m	Instant Access
Fidelity GBP Institutional Cash Fund	12m	Instant Access
Goldman Sachs Sterling Reserves Fund	12m	Instant Access

Insight Sterling Liquidity Fund	12m	Instant Access
Legal & General Investment Management Sterling Liquidity Fund	12m	Instant Access
Northern Trust Sterling Government Liquidity Fund	12m	Instant Access
Royal Bank of Scotland Global Treasury Fund	12m	Instant Access
Standard Life Investments Sterling Liquidity	12m	Instant Access

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**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**



AUDIT COMMITTEE: 24 JANUARY 2017

INTERNAL AUDIT PROGRESS UPDATE

REPORT OF THE HEAD OF FINANCE

AGENDA ITEM: 9.1

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

Reason for this Report

1. The Audit Committee's Terms of Reference requires that Members consider reports from the Audit Manager on Internal Audit's performance during the year e.g. progress reports.
2. This report has been prepared to provide the Audit Committee Members with an update on the work of Internal Audit up to 31 December 2016, for the current financial year.

Background

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

Issues

7. The progress report to 31 December 2016 is attached at Annex 1 for information.
8. The progress report outlines the productivity performance of the Internal audit function and the position at the end of Quarter 3 in relation to the status of the audits and the assurance opinions that have been completed.
9. The progress report also identifies that 562 recommendations have been made in 64 reports issued. Whilst, 100% of the red risk recommendations have been accepted the key success factor for the Council is the number of actioned recommendations. In considering the Audit Plan for 2017/18, there will be a focus on ensuring that the actioning of audit recommendations will be captured and a priority for the Council.

Legal Implications

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

Financial Implications

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

RECOMMENDATIONS

12. That the Committee note the report.

**IAN ALLWOOD
HEAD OF FINANCE**

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



CORPORATE RESOURCES INTERNAL AUDIT SECTION

INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD ENDING 31.12.16

- Open**
We are open and honest about the difficult choices we face, and allow people to have their say on what's important to them and their communities
- Fair**
We champion fairness, recognising that with less resource we need to prioritise services for those who need them most
- Together**
We work with our communities and partners across the city to deliver the best outcomes for the people of Cardiff



INTERNAL AUDIT PROGRESS REPORT

1. Background

- 1.1 The Internal Audit plan for 2016/17 was approved by the Audit Committee at its meeting in June 2016. The plan provides the framework for audit work in the forthcoming year and is aligned to the Council's corporate governance arrangements, whilst also being responsive to changes to risks faced by the Council during the year.
- 1.2 The Internal Audit plan of 2,700 chargeable days was agreed for the year – 2,300 for the audit team and 400 for the investigations team.
- 1.3 This report serves to provide an update on progress against the plan to the end of Q3, 2016/17, as well as providing information relating to any audits of particular concern to members where there has been a "Limited" or "No" Assurance audit opinion during Q3.

Audit team

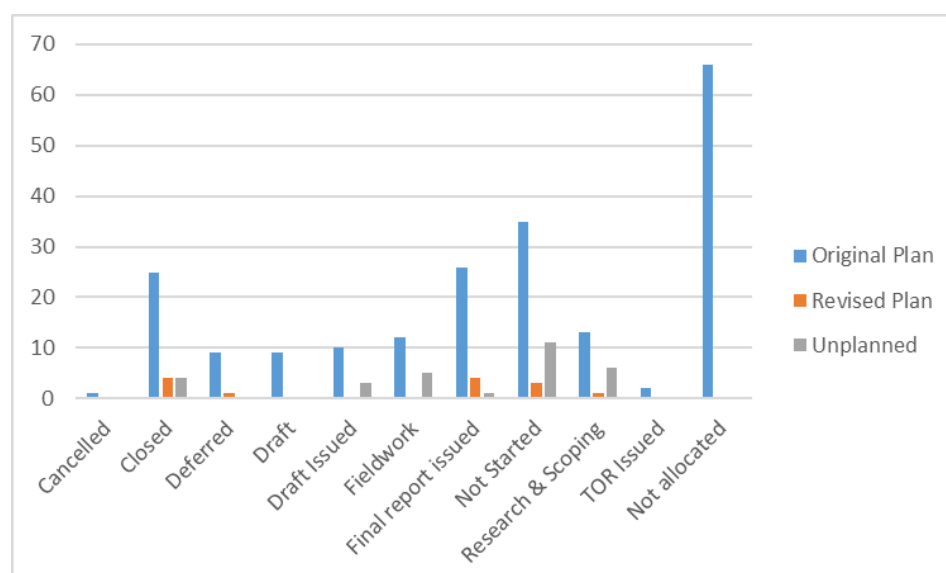
2. Progress against plan

- 2.1 The number of chargeable days allocated to audits to 31st December 2016 is 1,448 (against a plan of 1,725 days), which is almost 84% of the planned chargeable days. The performance of the team is shown in the table below:

	Plan 2016/17	Performance to Q3, 2016/17	Performance to Q3, 2015/16
Audit days delivered (pro-rata)	1,725	1,449.91	1,184.50
Productive time of team (% of work time spend on audit work)		84.05%	76.67%
Audits delivered within budgeted days		30	

- 2.2 Figure 1 below shows the status of the work that has been undertaken to the end of Q3:

Figure 1: Status of Audits as at Q3, 2016/17



2.3 It can be seen from the above graph that 11 assignments (10 assurance and 1 consultation) have been deferred so far in 2016/17. These have been for various reasons, mainly at the request of the auditee, and all such requests are considered by audit management before it is agreed that the audit is deferred.

2.4 The types of audits undertaken are shown in the table below, and in more detail in Appendix A:

Audit area	Number of planned days	Number of planned audits	Final reports issued	Draft reports issued	Percentage of planned assignments
Fundamental	220	13	6	1	54%
Corporate	440	9	2	2	44%
Corporate governance	200	27	4	1	19%
Other assurance	460	29	6	4	35%
<i>Service specific:</i>					
City Operations	150	12	5	0	42%
Communities, Housing and Customer Services	120	14	4	1	36%
Economic Development	70	5	0	1	20%
Education and Lifelong Learning	280	35	20	3	66%
Governance and Legal Services	20	3	0	0	0%
Resources	60	1	1	0	100%
Social Services	250	30	6	0	20%
External and grants	30	9	8	0	89%
TOTAL	2,300	236	62	13	

3. Audit findings and performance

3.1 The table below shows the audit assurance opinions that have been give to the end of Q3, 2016/17:

Audit Area	High	Satisfactory	Limited Assurance	No Assurance	No Opinion Given
Fundamental	0	4	2	0	0
Corporate	0	0	0	0	0
Corporate governance	0	5	0	0	0
Other assurance	0	4	2	0	3
City Operations	0	4	1	0	0
Communities, Housing & Customer Services	0	3	1	0	0
Economic Development	0	0	0	0	1
Education and Lifelong Learning	0	3	16	2	0
Governance and Legal Services	0	0	0	0	0
Resources	0	0	1	0	0
Social Services	0	4	2	0	0
External clients and grants	0	7	1	0	1
TOTAL	0	34	26	2	5

3.2 Audit Committee will be aware that should the opinion be “No” Assurance or relate to a follow up audit where the opinion remains “Limited” or “No” Assurance, this is reported immediately to the Committee. All reports with a “limited” or “no” assurance opinion are recorded in SharePoint on a report created to monitor these audits.

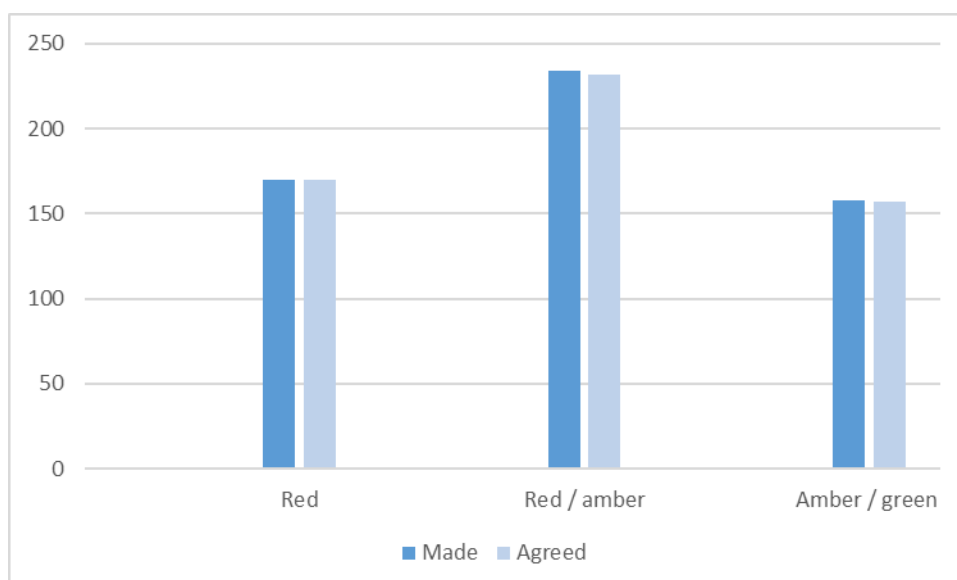
3.3 Although the audit plan at the start of the year includes a certain element of time for follow up audits, it is clear that having this number of follow up audits is reducing the resources available to undertake audits during the year. Under the Public Sector Internal Audit Standards (2500.A1) “The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.” Consideration is being given to re-focussing the way in which follow up work is carried out in order to maintain compliance with the PSIAS whilst also releasing resources to undertake audits of the key risks facing the Council. This is one of the possible changes being considered to ensure that the team complies with PSIAS and best practice.

4. Added value

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

4.2 A total of 562 recommendations has been made in the 64 reports issued, and these can be seen in the diagram below. It should be noted that 100% of the red risk recommendations have been accepted.

Figure 2: Recommendations Made and Agreed, Q3 2016/17



5. Revised plan

- 5.1 Following on from the information set out above, the audit plan for 2016/17 has been reviewed to identify audits which will not be carried out in the year and which may have to be carried over to 2017/18 (depending on consideration of risk).
- 5.2 It is anticipated that reviews will be undertaken in all fundamental systems of the Council, although not all may be finalised before the end of the financial year. Work has continued on the development of CRSA questionnaires during the year, and these will be further refined as systems and risks change.

Investigation team6. Progress against plan

- 6.1 The chargeable days have been allocated across proactive and reactive measures. The performance of the team is shown in the table below:

	Plan 2016/17	Performance to Q3, 2016/17	Performance to Q3, 2015/16
Planned investigation days	300	325	357
Productive time of team (% of work time spent on investigative work)		108%	110%
Investigating Officer training sessions delivered		17	

* The 2015 performance includes days for the Audit Manager and extra hours for the investigation Assistant which ended on 31/03/16.

- 6.2 Preparations have commenced on the Cabinet Office and Wales Audit Office data matching exercise, the National Fraud Initiative. Three thousand matches have been received identifying potential council tax liability anomalies. Output from the main exercise, NFI 2016, is due at the end of January.
- 6.3 The Investigation Team continues to develop and deliver the training programme for officers who may be tasked with conducting the role of Investigating Officer as part of the new Disciplinary Policy.
- 6.4 The Investigation Team has been asked to undertake the role of independent investigating officer on behalf of two schools, and these cases are currently ongoing.
- 6.5 The Investigation Team report is attached at Appendix B.

7. Conclusions

- 7.1 There are a number of positive aspects of the performance of the Internal Audit section during 2016/17. The number of actual chargeable days delivered by both teams has increased over the same period last year and there is a high level of acceptance of the recommendations made during audits. There are still a number of audits with “limited assurance” or “no assurance” opinions, and work is on-going with those directorates to improve internal controls.
- 7.2 Key priorities for the section in the next three months will include the provision of a high standard of professional service in the delivery of the audit plan.

Reports Issued to the end of Quarter 3

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

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Birchgrove Primary School	Limited	8	8	
Direct Payments – Social Services	Limited	3	3	
Fostering payments	Satisfactory	1	1	
Rhiwbina Primary School	Limited	8	8	
Adamsdown Primary School	Limited	6	6	
Carbon Reduction Commitment	Satisfactory			
School transport	Satisfactory			
St. Illtyd's	Limited	19	19	
St. Joseph's	Limited	5	5	
Corpus Christi	Limited	8	8	
Peter Lea	Limited	10	10	
Highways Maintenance	Limited	9	9	
ICT – Back up management	Satisfactory			Draft report issued
Functions and Retail Catering	Limited	8		Draft report issued
OD governance	Satisfactory			Draft report issued
ICT – Microsoft Exchange	Satisfactory			Draft report issued
Stores - Joint Equipment Service	Satisfactory			Draft report issued
Follow-ups				
Payroll overpayments	Limited	1	1	
Brindley Road Stores	Limited	1	1	
Mental Health contracts	Satisfactory	1	1	
St. Monica's Primary School	Limited	3	3	
Cantonian	Satisfactory	1	1	
Lansdowne Primary	Limited	13	13	
Ninian Park	Satisfactory			
Woodlands	No	11	11	
Pen y Bryn Primary	Satisfactory			
Supporting People	Limited	2	2	
Weighbridge	Satisfactory	1	1	

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
St. Alban's	Limited	4	4	
Glyn Derw Michaelston	Deferred			Draft report issued
Youth Centre inventories	Limited	4		Draft report issued
Ad hoc assignments				
CRSA – Schools				On-going
Financial Resilience				Draft report issued
Welsh Purchasing Consortium	Joint Committee statements for 2015/16 accounts			
Port Health	Joint Committee statements for 2015/16 accounts			
Glamorgan Archives	Joint Committee statements for 2015/16 accounts			
Prosiect Gwyrdd	Joint Committee statements for 2015/16 accounts			
<i>Mileage and subsistence</i>				
Value for Money Studies				
Agency costs				
Annual Leave				
Heath Park operating contract (tennis and golf)				
Grants				
Illegal Money Lending Unit				
Homelessness grant				
Education Improvement grant				
Final accounts				
Demolition of flats, Clevedon Road				

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

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AUDIT COMMITTEE: 24 JANUARY 2017

DRAFT INTERNAL AUDIT CHARTER 2017-18

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 9.2

Reason

1. The Current Terms of Reference 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 2017/18.

Background

4. At the commencement of each financial year, consideration is given to updating key documents which form part of the Internal Audit function. These documents were formerly known as the Internal Audit Strategy.
5. The Head of Finance in the Audit Committee 29 November 2017 committed to submitting the draft key internal audit documents in January 2017 in order for Audit Committee to consider and feed in comments in order for a final document to be approved in the March meeting prior to the 2017/18 financial year.
6. In addition, the 5 year assessment on the PSIAS was scheduled to take place in Quarter 4 of 2016/17. In anticipation of this assessment, meetings were held with the Head of Internal Audit at RCT in December 2016.
7. As reported on 29 November 2016, Audit Committee had considered a self assessment and identified a need to review the Terms of Reference. The CIPFA approved terms of reference was used as a starting point and is silent on Internal Audit Strategy but very clear that the Audit Committee must approve the Internal Audit Charter. The need for a Charter is also a key requirement for the PSIAS (Attribute Standard 1000 Purpose, Authority and Responsibility).
8. Based on the above guidance, the key documents have been rewritten with the Internal Audit Charter being the lead document which clearly sets out the Internal Audit function for this Council. Accompanying the Charter would be a draft revision of the Audit Committee Terms of Reference.

Issues

9. 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.

10. 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.
11. 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.
12. 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.
13. Appendix C suggests a revised terms of reference for Audit Committee. As outlined, in paragraph 7 the revised terms of reference used have been devised and recommended by CIPFA. The content of the revised terms of reference is slightly greater than the previous version but covers similar areas of activities.
14. Appendix D reflects sets out the key strategic priorities of the Internal Audit function for 2017/18 thus providing a level of detail which highlights where resources will be focussed.
15. 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.
16. 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 2017/18 which will be developed into further detail over the next month in order to be submitted for approval by Audit Committee in March 2017. The use of risk based methodology alongside discussions with senior management will ensure that the audit plan will set out very clearly the activities of internal audit for 2017/18.

Legal Implications

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

Financial Implications

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

Recommendations

19. To consider and provide comments on the Draft Internal Audit Charter and the accompanying appendices including the draft terms of reference for Audit Committee.
20. To consider and provide comments on the direction of the draft 2017/18 internal Audit Plan.

**CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES**

Annex 1: Draft Internal Audit Charter 2017-18

Annex 2: Draft Summary Audit Plan 2017-18



CORPORATE RESOURCES INTERNAL AUDIT SECTION

City of Cardiff Council DRAFT INTERNAL AUDIT CHARTER 2017-18

Mission Statement

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

Open

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

Fair

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

Together

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



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INTERNAL AUDIT CHARTER

Definition, Objective and Scope of Internal Audit

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

Role and Professionalism

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

Authority

6. The internal audit activity with strict accountability for confidentiality and safeguarding records and information, is authorised full, free and unrestricted access to any and all of the organisation's records, physical properties and personnel pertinent to carrying out an engagement. All employees are 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 Audit Committee will approve all reports regarding the performance evaluation of the Internal Audit function.
8. The Audit Committee will approve the internal audit charter, the risk based internal audit plan and receive communications from the Audit Manager on the internal audit activity's performance relative to its plan and other matters. The Audit Manager is delegated the authority to make in-year changes to the internal audit plan and approve audit engagements of no more than 10 planned audit days without seeking approval from the Audit Committee.
9. The resources allocated to the Internal audit activity are outlined in Appendix B in conjunction with the reporting arrangements

Independence and Objectivity

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

Responsibility

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

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

15. Internal Audit is responsible for evaluating all processes of the entity including governance processes and risk management processes. It also assists the Audit Committee in evaluating the quality of performance of external auditors and maintains proper degree of coordination with internal audit.

16. Internal audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the Council. It may also evaluate specific operations at the request of Audit Committee or management as appropriate.

17. Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee and Senior Management including fraud risks, governance issues and other matters needed or requested

18. The Audit Committee has a Terms of Reference which defines the area in which it operates and this is set out in Appendix C. The Terms of Reference are reviewed on a periodical basis.

Internal Audit Plan

19. At least annually, the Audit Manager will submit to the Audit Committee an internal audit plan for review and approval including risk assessment criteria. The internal audit plan will include timing as well as budget and resource requirements for the next financial year. The Audit Manager will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

20. The internal audit plan will be developed based on a prioritisation of all auditable areas using a risk based methodology including input of senior management and audit committee. Prior to submission to the Audit Committee for approval, the plan may be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

21. The Audit Manager will develop an Audit Strategy which clearly articulates the key priorities of the function going forward and this is set out in Appendix D.

Reporting and Monitoring

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

Periodic Assessment

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

Quality Assurance and Improvement Programme - QAIP

27. The internal audit activity will maintain a Quality assurance and Improvement Programme that covers all aspects of the internal audit activity. The programme will include an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit standards, encompassing all mandatory elements of the IPPF, including an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency of the internal audit activity and identifies opportunities for improvement.
28. The Audit Manager will communicate to senior management and Audit Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing internal and external assessments conducted at least every five years.
29. Action taken to ensure that the Quality Assurance and Improvement Programme is effective is set out in Appendix 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 Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Internal Auditors' own professional bodies Code of Ethics or those of employing Organisations.

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

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

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

and

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

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

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

Applicability and Enforcement

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

Public Sector Interpretation

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

1. Integrity

Principle

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

Rules of Conduct

Internal Auditors:

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

2. Objectivity

Principle

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

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

Rules of Conduct

Internal Auditors:

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

3. Confidentiality

Principle

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

Rules of Conduct

Internal Auditors:

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

4. Competency

Principle

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

Rules of Conduct

Internal Auditors:

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

AUDIT ACTIVITY RESOURCES AND REPORTING LINES

Resources

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

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.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

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

DRAFT SUMMARY AUDIT PLAN, 2017/18

Fundamental Audits - S151 Assurance	Type of engagement	CIPFA classification	Assignment code	Original audit plan, 2016/17	Original audit plan
Creditor Payments & Processing (including procurement)	Assurance	Chargeable	FUN002	45	75
Payroll	Assurance	Chargeable	Various	70	70
Council Tax	Assurance	Chargeable	FUN038	15	15
NNDR	Assurance	Chargeable	FUN049	15	15
Local Housing Allowances	Assurance	Chargeable	FUN063	15	15
Treasury Management	Assurance	Chargeable	FUN080	10	10
Main Accounting	Assurance	Chargeable	FUN069	10	10
Income and Debtors	Assurance	Chargeable	FUN102	15	30
Asset Management	Assurance	Chargeable	FUN073	10	30
Housing Rents	Assurance	Chargeable	FUN120	15	15
Total				220	285
Corporate Governance Assurance - Audit (Tier 1)			Assignment code	Original audit plan, 2016/17	Original audit plan
Audit of risk management arrangements	Assurance	Chargeable	AGR004	20	20
Audit of governance arrangements	Assurance	Chargeable	AGR002	30	30
Audit of ethics and values	Assurance	Chargeable	AGR009	15	15
Audit of performance management	Assurance	Chargeable	AGR010	15	15
Audit of Information governance	Assurance	Chargeable	AGR003	20	20
Total				100	100
Delegation and decision making	Assurance	Chargeable	AGR012	20	0
Procurement	Assurance	Chargeable	RES012	20	0
Programme and projects (including ODP)	Assurance	Chargeable	AGR013	60	20
Total				100	20
Other Assurance (Tier 2)			Assignment code	Original audit plan, 2016/17	Original audit plan
Contract Audit	TBC	Chargeable	Various	130	130
Education - SOP	TBC	Chargeable	CON170	30	30
Computer Audit	TBC	Chargeable	Various	100	100
Driving Improvement - Value for Money studies	TBC	Chargeable	Various	70	30
System Development	TBC	Chargeable	PRO001	50	30
Pensions and Investments	TBC	Chargeable	FUN130	10	10
Procurement	TBC	Chargeable	RES012	0	0
Insurance	TBC	Chargeable	OTH001	10	10
Mileage & subsistence	TBC	Chargeable	OTH002	15	10

Stores	TBC	Chargeable	OTH003	15	15
Health and Safety	TBC	Chargeable	OTH012	15	0
Business Continuity	TBC	Chargeable	PRO003	15	15
Total				460	380
Service specific audits (Tier 2)			Assignment code	Original audit plan, 2016/17	Original audit plan
City Operations	TBC	Chargeable	Various	150	150
Communities, Housing and Customer Services	TBC	Chargeable	Various	120	120
Economic Development	TBC	Chargeable	Various	70	70
Education and Lifelong Learning	TBC	Chargeable	Various	280	330
Governance and Legal Services	TBC	Chargeable	Various	20	20
Resources	TBC	Chargeable	Various	60	60
Social Services	TBC	Chargeable	Various	250	300
Total				950	1,050
External (Tier 2)			Assignment code	Original audit plan, 2016/17	Original audit plan
External clients	Assurance		Various	10	10
Grants	Assurance	Chargeable	Various	20	20
Total				30	30
Contingencies			Assignment code	Original audit plan, 2016/17	Original audit plan
General Audit		Chargeable	OTH010	220	30
Total				220	30
Management (Tier 3)			Assignment code	Original audit plan, 2016/17	Original audit plan
Corporate work - committees, WAO etc.	Consultation	Chargeable	MGT010	50	50
Assurance mapping	Consultation	Chargeable	MGT014	20	20
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
<i>Driving Improvement (Value for Money studies)</i>				0	0
Review of Financial Rules etc	Consultation	Chargeable	MGT008	70	50
Consultancy - advice and guidance	Consultation	Chargeable	MGT001		
Total				220	200

Audit Team Non Chargeable Leave/Sickness/Training			<i>Assignment code</i>	<i>Original audit plan, 2016/17</i>	<i>Original audit plan</i>
Annual Leave		Non-chargeable	YYY001	380	372
Public Holidays		Non-chargeable	YYY002	72	69
Maternity - Paternity Leave		Excluded	YYY003	195	70
Sickness		Non-chargeable	YYY006	96	84
Professional Studies		Non-chargeable	YYY016	55	56
Courses and seminars		Non-chargeable	YYY017		
TOTAL AUDIT TEAM NON CHARGEABLE LEAVE/SICKNESS/TRAINING DAYS				798	651
Audit Team Non Chargeable Other			<i>Assignment code</i>	<i>Original audit plan, 2016/17</i>	<i>Original audit plan</i>
General Admin. (no identifiable client)		Non-chargeable	YYY009	90	84
General management		Non-chargeable	YYY010	15	7
Staff Development		Non-chargeable	YYY013	32	25
Internal Audit meetings (such as team meetings)		Non-chargeable	YYY015	40	38
TOTAL AUDIT TEAM NON CHARGEABLE OTHER DAYS				177	154

TOTAL AUDIT TEAM CHARGEABLE DAYS				2,300	2,095
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TOTAL AUDIT TEAM NON CHARGEABLE DAYS				975	805
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TOTAL DAYS				3,275	2,900
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Investigations			<i>Assignment code</i>	<i>Original audit plan, 2016/17</i>	<i>Original audit plan</i>
General				400	420
Total				400	420

Investigations Non Chargeable Leave/Sickness/Training			<i>Assignment code</i>	<i>Original audit plan, 2016/17</i>	<i>Original audit plan</i>
Annual Leave		Non-chargeable	YYY001	91	80
Public Holidays		Non-chargeable	YYY002	22	15

Sickness		Non-chargeable	YYY006	17	20
Professional Studies		Non-chargeable	YYY016	4	4
Courses and seminars		Non-chargeable	YYY017		
TOTAL INVESTIGATIONS NON CHARGEABLE LEAVE/SICKNESS/TRAINING DAYS				134	119
Investigations Non Chargeable Other			<i>Assignment code</i>	<i>Original audit plan, 2016/17</i>	<i>Original audit plan</i>
General Admin.		Non-chargeable	YYY009	18	18
General management		Non-chargeable	YYY010	16	10
Staff Development		Non-chargeable	YYY013	22	16
Internal Audit meetings		Non-chargeable	YYY015	20	17
TOTAL INVESTIGATIONS NON CHARGEABLE OTHER DAYS				76	61
TOTAL INVESTIGATIONS CHARGEABLE DAYS				400	420
TOTAL INVESTIGATIONS NON CHARGEABLE DAYS				210	180
TOTAL DAYS				610	600

AUDIT COMMITTEE: 24 January 2017

DRAFT PROSECUTION POLICY

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 9.3

Reason for this Report

1. The Audit Committee's Terms of Reference requires that:
 - Members consider any anti-fraud strategies, policies and procedures.
 - Members receive reports on fraud prevention and detection initiatives and updates to any related policies and strategies.

Background

2. The Internal Audit, Investigation Team consists of trained professional investigators who conduct criminal investigations in respect of individuals who commit fraud against Cardiff Council, for example Council Tax and Housing.

Issues

3. Prior to 2014 the team also investigated and sanctioned benefit fraudsters, however, on the 1st July 2014 the responsibility for investigating benefit fraud transferred to the DWP. Whilst the criteria for sanctioning a fraudster remain the same, a new, updated Policy has been drafted to remove reference to benefit fraud.

Reasons for Recommendations

4. To consider and note the content of the revised Prosecution Policy.

Legal Implications

5. No direct legal implications arising from this report.

Financial Implications

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

Recommendations

7. That the Committee note the report and the attached appendix.

**CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES**

Date:

The following Appendix is attached:

Appendix A – Draft Prosecution Policy

The City of Cardiff Council Prosecution Policy Internal Audit, Investigation Team



1. Introduction

- 1.1 The City of Cardiff Council is committed to protecting the public purse through its actions to prevent and detect fraud, as outlined in the [Fraud, Bribery and Corruption Policy](#) (1.CM.120).
- 1.2 The decision to prosecute an individual is a serious step. This Policy is designed to ensure that all officers involved in any such decisions understand and appreciate the principles that will be taken into account.
- 1.3 Frauds committed against or from within the Council will be reported to the Internal Audit, Investigation Team, based within Finance, Resources. Advice, guidance, support and liaison with the Police will be provided as appropriate.
- 1.4 Internal Audit Investigators have been trained to Professionalism in Security (PINS) standards and investigations are undertaken to criminal standard, utilising best practice.

2. General Principles

- 2.1 Each case must be considered on its own merits. When deciding whether to commence a prosecution, officers must be fair, independent and objective. They shall not be affected by improper or undue pressure from any source.
- 2.2 Investigations will be conducted in accordance with the Police and Criminal Evidence Act 1984 and its Codes of Practice, and all other relevant legislative and common-law rules.
- 2.3 In accordance with the Council's Fraud Publicity Policy, successful sanctions brought about by the Internal Audit, Investigation Team will be reported to the Communication and Media Group to enhance the awareness of the work of the team, to encourage fraud referrals and to maximise the deterrent effect.

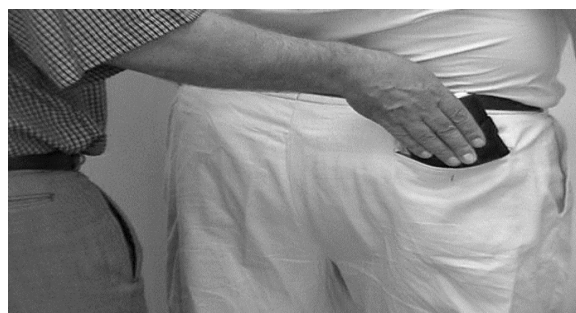
- 2.4 In recognition of the Council's strategic aims and its status as a responsible steward of public funds, this policy aims to ensure that persons who commit fraud are dealt with fairly and consistently. Its specific objectives are to:

- ensure that those who commit fraud are punished;
- assist officers in the selection of the most appropriate sanction;
- ensure that sanctions are successfully applied;
- maximise the deterrent effect of successful sanctions;
- maintain and generate public confidence in and respect for the Council, by helping to ensure that justice is seen as being done.

3. Scope and Definition

- 2.1 This policy applies to criminal investigations undertaken by the Internal Audit, Investigation Team and for example, may relate to Blue Badge, Council Tax, Housing and Procurement investigations.
- 2.2 Due to the size of the organisation and the proactive work undertaken by the Investigation Team, occasionally Council employees may be identified as potential fraudsters. In the first instance the criminal investigation will take precedence, however, advice will be sought from Human Resources.

Fraudsters pick YOUR pocket every day



4. Sanctions Available

4.1 There are 4 sanctions available:

- **Prosecution** – criminal proceedings may be brought against offenders and the case heard in Court when there appears to be sufficient evidence of a criminal offence and it is in the public interest to prosecute.
- **Simple Caution** – a “simple” caution is a warning given to adults who admit they are guilty of an offence. It is not a form of sentence, nor is it a criminal conviction, however, it will be recorded and may be considered in court if the recipient reoffends.
- **Unlawful profit order** (Prevention of Social Housing Fraud Act 2013) – the offender is required to pay the landlord an amount representing profit made.
- **Overpayment recovery & civil court action** – in all cases of fraud the Council will vigorously pursue the recovery of property and overpaid monies and will use all means available, including civil sanctions.

5. Criteria

5.1 Each case is unique and must be considered on its own facts and merits. However, there are general principles that apply to the way in which sanctions are determined and the following will be taken into account:

- the duration of the fraud;
- the seriousness and extent of the fraud;
- aggravating factors;
- age / health of the offender;
- level of premeditation / deception / dishonesty;
- the admittance of the offence at interview;
- if the offender has a history of fraud/theft.

Prosecution

5.2 The decision to prosecute an individual is a serious step. Fair and effective prosecution is essential to the maintenance of law and order.

5.3 The case will be prepared for proceedings if all the following criteria are met:

- the person has committed an offence which has a realistic prospect of conviction;
- the evidence is reliable, credible and admissible;
- where a prosecution is in the public interest.

5.4 It will be the intention of the Investigation Team to apply for full costs at Court Hearings.

Simple Caution

5.5 A simple caution is an official warning given to adults who admit they are guilty of first-time minor offences. It is intended to act as a deterrent to stop reoffending, however, it may only be issued if:

- the offender is over eighteen years of age;
- there is evidence of an offender’s guilt;
- the offender admits to the offence;
- the offender consents to the caution.

5.6 If the offender fails to attend an interview under caution or refuses to accept the offer of a caution, then the file will be considered for prosecution. Simple cautions will be reported to the Police and may be recorded on their systems.

Unlawful profit order

5.7 An unlawful profit order is an order requiring the tenant / offender against whom it is made, to pay the landlord an amount representing the profit made by the tenant / offender as a result of the conduct (constituting the offence). Action may be brought through criminal or civil proceedings.

Overpayment Recovery and Civil Court Action

- 5.8 A strict requirement to repay monies fraudulently obtained is in itself another major deterrent to fraud, and will not influence the decision to sanction. Civil recovery proceedings may be instigated if the overpayment is not repaid.

6. Responsibilities in Respect of Sanctions

- 6.1 The Investigating officer will produce a sanction file in accordance with standard procedures and will ensure that mitigating and aggravating factors are brought to the attention of the Group Auditor (Investigations) and / or Governance and Legal Services.
- 6.2 The Group Auditor (Investigations) will review the case and consider the appropriateness of a sanction in accordance with this policy, prior to the referral of the case to Governance and Legal Services.
- 6.3 Ordinarily sanctions will be administered by Governance and Legal Services, however, circumstances may arise where the sanction file is passed to the Police, Crown Prosecution Service or other Local Authority as appropriate.
- 6.4 Governance and Legal Services will review each sanction file received from the Internal Audit Investigation Team to ensure that there are sufficient grounds to instigate proceedings, taking into account the evidential and public interest test. The delegation to prosecute rests with Governance and Legal Services.

7. Reporting

- 7.1 The Group Auditor (Investigations) will collate statistical information and report successful sanctions to the Audit Committee.
- 7.2 The Group Auditor (Investigations) will report successful sanctions to the relevant Directorate and the referrer of the original allegation, if applicable.

8. Review

- 8.1 This policy will be reviewed every two years, unless legislation or further developments require it to be reviewed before this date. This will ensure the policy meets its objectives and takes account of good practice developments.

**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**

AUDIT COMMITTEE: 24 January 2016

PUBLISHED SCRUTINY LETTERS

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 10.1

PORTFOLIO:

Reason for this Report

1. This report has been prepared to provide Audit Committee members with relevant information relating to correspondence issued by the five Scrutiny Committees. This will provide members with the opportunity to determine whether any matters arising from the correspondence are to be considered at a future Audit Committee meeting.
2. This report will also detail any correspondence between the Chair of Audit Committee and the Chairs of Scrutiny Committees. Since the last meeting, there has been no correspondence between the Chairs of the respective Committees.

Background

3. The purpose of this report is to ensure that there is an exchange of information between Scrutiny and Audit Committee and to provide the opportunity to consider whether any matters arising from respective scrutiny letters require further investigation by Audit Committee.
4. The Audit Committee's Terms of Reference includes the need to work in synergy with the five Scrutiny Committees and to avoid duplication in work programmes.

Issues

5. A review of the correspondence items for Scrutiny Committees was carried out and covered the period between 3 November and 23 December 2016.
 - Policy Review and Performance Scrutiny Committee
 - Community and Adult Services Scrutiny Committee
 - Environmental Scrutiny Committee
 - Economy and Culture Scrutiny Committee
 - Children and Young People's Scrutiny Committee

6. In determining which (if any) pieces of correspondence should be considered at a future meeting, consideration needs to be taken of the Audit Committee Terms of Reference, which for reference is set out in Appendix A.
7. Appendix B includes correspondence issued from Scrutiny Committees which may be of interest to the Audit Committee. The responses can be provided to the Audit Committee upon request.

Policy, Review and Performance Scrutiny Committee

8. The Policy, Review and Performance Scrutiny Committee considered the 'Customer Services Strategy' which did not identify issues in the Committee's terms of reference. The Committee also considered the following correspondence which may be of interest to Audit Committee and is included in Appendix B:
 - 'Investment Estate Strategy,' which relates to asset stewardship and governance.
 - 'Review of Scrutiny,' relating to potential changes to the number and remit of Scrutiny Committees, with governance and working relationship implications.
 - 'Q2 Performance,' which outlines financial planning and performance in addition to non-financial matters.
 - The 'WAO Statement of Action', which outlines the current position relative the Wales Audit Office (WAO) Follow on Assessment Report.

Community and Adult Services Scrutiny Committee

9. The Community & Adult Services Scrutiny Committee considered the 'Community Safety Scrutiny' and 'Private Rented Sector Housing' correspondence which did not identify issues in the Committee's terms of reference. The Committee also considered the following correspondence which may be of interest to Audit Committee and is included in Appendix B:
 - 'Domiciliary Care scrutiny', which addresses the capacity and sustainability of the market and the requirement to submit a pressures bid for 2017/18 to meet the rising demographic need for domiciliary care.
 - 'Building Maintenance Framework pre-decision scrutiny', which addresses many contract management concerns of the Audit Committee relating to the current framework.
 - 'Direct Payments pre-decision scrutiny' with the aim of achieving value for money and quality of service provision.

Environmental Scrutiny Committee

10. The Environmental Scrutiny Committee considered 'Managing Litter in Cardiff a Neighbourhood Services Member Update' and 'Performance Reporting – Quarter 2'. A 'Planning Service Member Update' highlighted good performance in a number of areas but some concerns about the potential risk of achieving increasing planning fee income targets year on year. The correspondence did not identify issues in the Committee's terms of reference.

Economy and Culture Scrutiny Committee

11. The Economy and Culture Scrutiny Committee considered the following correspondence which may be of interest to Audit Committee and is included in Appendix B:
 - 'Dumballs Road Regeneration', in partnership with Vastint to purchase approximately 12 acres of land with a £15 million capital allocation of budgeted costs, and to dispose of the former Depot Building at Bessemer Close. The risks and opportunities resulting from coordinating redevelopment are drawn upon in the letter.
 - 'Welsh Public Library Standards Annual Report and the Summer Reading Challenge 2016'. The correspondence draws upon a glitch which meant that books were being delivered to the wrong libraries and not promptly identified by internal control systems.

Children and Young People Scrutiny Committee

12. The Children and Young People Scrutiny Committee considered the 'Child Health and Disability Improvement Plan Update', which focussed on service delivery and did not identify issues in the Committee's terms of reference. The following correspondence may be of interest to Audit Committee and is included in Appendix B:
 - The 'Child and Adolescent Mental Health Service', the 'Consortium's actions to address Estyn inspection report' and the 'quarter two Children's Services performance report' correspondence contained concerns about vacant posts and the high use of agency staff.
 - Correspondence on a 'Families First Scheme' discussed the extension of some contract terms, decommissioning of some services alternative / pilot arrangements in the transition and the commissioning of the next Families First Scheme.
 - A 'progress report on the effectiveness of school governors, Quarter 2 Performance and Cardiff 2020' reflected upon difficulties in retaining high quality governors. Also highlighted were the high expectations of Challenge Advisors in excess of governor training and abilities. A Programme for International Student Assessment (PISA) report has raised discussion on the quality of teaching, leadership and the shape of education in Cardiff.

13. The twelve pieces of correspondence found in Appendix B highlight areas that partly cross into the Terms of Reference of the Audit Committee. In determining whether or not there are any items to add in future Audit Committees then consideration needs to be given to the terms of reference and the need to avoid duplication where possible.

Reason for Recommendations

14. To consider the correspondence and determine which require further consideration at a future Audit Committee meeting.

Legal Implications

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

Financial Implications

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

Recommendations

17. To note and identify any items contained within the correspondence of Scrutiny Chairs that need to be put on the Agenda at a future Audit Committee.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
Date: 24 January 2016

The following appendices are attached:

Appendix A - Audit Committee's Terms of Reference
Appendix B - Published Scrutiny Letters

AUDIT COMMITTEE

TERMS OF REFERENCE

Governance, Risk & Control

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

Internal Audit

- To approve the Internal Audit Strategy comprising the risk-based internal audit plan, containing the internal audit resources (resources include; Audit, Investigations, Risk & Governance and Programme and Project Assurance Teams).
- To approve significant changes to the risk-based internal audit plan and resource requirements.
- To consider reports from the Audit Manager on Internal Audit's performance during the year e.g. progress reports.
- To consider the Audit Manager's Annual Report, including the statement of conformance with the Public Sector Internal Audit Standards 2013 and the results of the Quality Assurance and Improvement Programme that supports the statement. Fundamental to the annual report is the overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control together with a summary of the work supporting the opinion.
- To receive summaries of specific internal audit reports in accordance with agreed protocols.
- To receive reports on fraud prevention and detection initiatives and updates to any related policies and strategies.
- To receive reports of any significant incidents of fraud or financial impropriety and actions taken to enhance controls where this is considered necessary.

External Audit

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

Financial Reporting

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

Accountability Arrangements

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

Training & Development

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

Date: 23 November 2016

Councillor Phil Bale
Council Leader,
Cardiff Council,
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Dear Councillor Bale,

**Policy Review & Performance Scrutiny Committee: 15 November 2016
Investment Estate Strategy 2016-21**

As Chair of the Policy Review and Performance Scrutiny Committee I wish to thank you for attending Committee in respect of the Council's Investment Estate Strategy 2016-21. Members welcomed the opportunity for pre-decision scrutiny of the proposed Strategy, and following their discussion at the Way Forward have asked me to pass on their comments and observations.

The Committee acknowledges that this Strategy represents a step change in the Council's management approach of maximising the benefits from its estate. We are reassured that the new strategy is focussed on generating more income from the Council's non-operational property.

Members were pleased to welcome the Council's commercial property adviser, Jones Lang La Salle, and took on board their view that changes in the economy, poor performance of suburban retail property, and the 2018 deadline by when it will become illegal to trade any property with an EPC of F or G, means it is sensible to re-profile the portfolio at this point in time.

We are particularly pleased to note that where the Council sells a property the proceeds will be ring fenced to remodel existing properties, or to purchase new properties with the potential to generate higher rents, increase the overall value of the estate, and improve the portfolio to produce a higher yield on the Council's investment. We note that to achieve this all types of property are under consideration for purchase by the Council, dependent on funding and, should all planned sales be successful, note that a pot of £850,000 would be available for re-investment.

Whilst the Committee is positive about the Strategy overall we would like you to factor the following concerns into your consideration of the Strategy:

In respect of the target performance measure for the five year strategy, to increase the gross yield from 5% to 6%, which equates to a 20% improvement in performance. We accept you consider this a challenging target; however feel there should be a clearer indication of the performance targets the Investment Estate Board (IEB) will set along the way to measure progress. This would also enable Cabinet and Scrutiny to evaluate the success of the Strategy over the next 5 years. We note that the Council's advisors will benchmark performance against other cities, and that some authorities are investing outside of their area, though currently this is not the approach Cardiff is taking.

Of some concern to the Committee is the absence of a Cabinet Member on the Investment Estate Board. The Committee feels that the link between the political vision of the ruling administration and decisions taken by the IEB need to be strengthened. Whilst we accept that the Leader has a strong link to the Board, we consider there is scope for greater Cabinet Member involvement in the Board and greater Board involvement with Cabinet. Our concern is that standing arrangements might result in a lack of democratic oversight that is based in the political vision of the administration. We note your comment that the Council is taking the opportunity to use commercial advice to its benefit, but as you indicated there is still freedom to refine governance arrangements, we would urge you to revisit.

The Committee wishes to take up your offer to report annually on the performance of the IEB, however some Members are uncomfortable with the next report to Committee on the work of the IEB being the Board's first Annual report in December 2017. We note you are currently developing the Terms of Reference of the Board and will commence quarterly reporting in line with rent dates starting on 24 December 2016. As such, we would like an interim update before December 2017 and will recommend that our successors consider 6 monthly progress in July 2017.

Additionally, Members feel it would be useful for the Committee to examine in some depth the process and outcome of applying the Strategy to a red rated City Centre asset, to assess whether the process is working. Therefore we will also suggest our successors consider case studies that illustrate the reality of managing the estate with the intention of increasing yields.

Finally, the Committee wishes to re-iterate its previous comment when considering the Corporate Asset Management Plan in July. We would like more weight given to Member engagement and involvement in property deals that are planned within their wards.

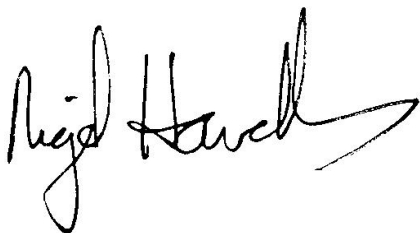
To re-cap, the Committee:

- feels there should be a clearer indication of the performance targets the IEB will set along the way to measure progress, to enable Cabinet and Scrutiny to evaluate the success of the Strategy over the next 5 years;

- recommends strengthening democratic oversight by appointing a Cabinet Member to the IEB;
- will recommend its successors consider an interim update of progress in July 2017, and suggest examining in depth the process and outcome of applying the Strategy to a red City Centre asset, to assess whether the process is working;
- would like more weight given to Member engagement and involvement in property deals that are planned within their wards.

Once again, on behalf of the Committee, I wish to thank yourself, the Strategic Estates Manager, Helen Jones, and the Council's commercial property advisor, Chris Sutton of Jones Lang La Salle for your support in bringing this matter forward for Scrutiny. The Committee looks forward to maintaining good communication with yourself and the Board to provide assurance and strengthen governance arrangements going forward.

Yours sincerely,



COUNCILLOR NIGEL HOWELLS
CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

cc

Members of the Policy Review & Performance Scrutiny Committee;
Neil Hanratty, Director of Economic Development
Helen Jones, Corporate Property and Estates Manager
Chris Sutton, Jones Lang La Salle
Clare DeGuara, Cabinet Support Manager.
Naomi Evans, PA to Leader

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My Ref: T: Scrutiny/PRAP/Comm Papers/Correspondence

Date: 13 December 2016



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Councillor Dan De'Ath
Cabinet Member Safety, Skills & Engagement,
Cardiff Council,
County Hall
Cardiff
CF10 4UW

Dear Councillor De'Ath,

Policy Review & Performance Scrutiny Committee: 6 December 2016 ODP – Review of Scrutiny

As Chair of the Policy Review and Performance Scrutiny Committee I wish to thank you for attending Committee to consult on the Review of Scrutiny. Members welcomed the opportunity to engage with early emerging models, and following their discussion at the Way Forward have asked me to pass on the following comments and observations to inform final proposals to the Constitution Committee in February 2017.

Model preference

The Committee is firmly of the view that there is merit in retaining the principal of 4 - 5 Scrutiny Committees. Several Members feel the existing model should be the preferred option, due to its overarching success over many years. However, all Members accept that in retaining the existing model there are grounds for tweaking the Terms of Reference of all Committees.

Whilst endorsing the status quo, Members have some specific views.

- All Members feel the existence of a Constitution Committee and a Democratic Services Committee is significant duplication and unnecessary overlap.
- We consider the implications of Partnership scrutiny are still an unknown
- We consider 4 Committees could work (and reduce costs), where the Economy and Culture Scrutiny Committee relieves pressure on a combined Social Services committee by effectively taking responsibility for housing and skills development
- Some Members are keen to retain two Social Services Scrutiny Committees,
- Some Members consider Housing should remain alongside Adult Services.

- Some Members wish to highlight that the PRAP type Committee should undertake cross cutting scrutiny, whilst not duplicating the work of other committees. We feel there needs to be closer overarching working between Committees to reduce such duplication.

Scrutiny Training

The Committee feels strongly that basic Scrutiny training should be mandatory, and Members nominated for Scrutiny Committee positions should be required to complete the training prior to attendance at their first meeting.

Resources

The Committee takes on board the expectation that the 2017/18 budget will realise the £50k reduction agreed in the 2016/17 Scrutiny budget, but given the essential work that Scrutiny undertakes Members see a need to enhance rather than reduce arrangements.

Balancing Formal and Informal Scrutiny

In relation to the balance between formal Committee and informal Task and Finish (T&F) work the Committee feels it is important to factor T&F work into all proposed models. However, we feel that T& F meetings are not public forums and therefore an over dependency will not deliver our 'Open' Council commitment. Furthermore, Members consider an expansion of T&F work will not resolve the resource challenges currently experienced. The implication is that T&F work is more likely to be undertaken during the afternoon, to ensure witness access, which will conflict with the responsibilities of younger Councillors. Some Members wish to suggest there is an opportunity to access support for T& F from non-scrutiny back bench Members.

Size of Committees

Importantly the Committee is concerned about the number of seats on Scrutiny Committees. Specifically, we feel the current issue of vacant seats has not been a problem in previous administrations. The current difficulty filling seats is therefore perhaps a unique situation and we would err caution before making significant changes to the size of Committees. Members feel the position could change dramatically in May 2017, depending on the circumstances of newly elected Members.

Drivers for change

Members are keen to clarify the real drivers for Scrutiny change. We note you consider resources; statutory responsibility for scrutiny of the PSB; and a 50k saving. We feel it is important to separate outcomes from enablers and we are not convinced all drivers referred to in the papers are important enough to determine a new model.

Embedding Scrutiny

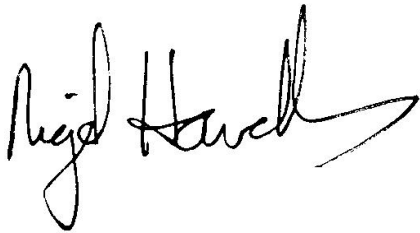
The Committee wishes to highlight the importance of improving the embeddedness of Scrutiny. We feel this could be achieved in the following ways:

- By improving back bench and front bench links to policy formulation;
- By improving the monitoring of how Scrutiny recommendations are embedding.
- By linking Scrutiny recommendations to the PPDR's of Senior Managers

As a small aside, thank you for consulting many stakeholder groups on the proposals. May we request that Independent Councillors are also consulted.

Once again, on behalf of the Committee, I wish to thank yourself, the Director of Governance and Legal Services, Davina Fiore, and the Scrutiny & Equalities Manager for your support in bringing this matter forward for Scrutiny. The Committee looks forward to maintaining good communication with yourself and future administrations to preserve and improve the role of Scrutiny in the Council's governance arrangements.

Yours sincerely,



COUNCILLOR NIGEL HOWELLS
CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

cc

Members of the Policy Review & Performance Scrutiny Committee;
Chairs of all Scrutiny Committees;
Davina Fiore, Director Governance & Legal Services;
Paul Keeping, Scrutiny & Equalities Manager;
Ian Allwood, Head of Finance;
Clare DeGuara, Cabinet Support Manager;.
Alison Taylor, Cabinet Support Office.

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Date: 23 November 2016

Councillor Phil Bale,
Leader,
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Dear Councillor Bale,

**Policy Review & Performance Scrutiny Committee: 15 November 2016
Quarter 2 Performance 2016/17**

Further to your attendance at Committee for Quarter 2 Performance 2016/17, thank you for standing in for Councillor Hinchey to enable the Committee's Scrutiny on 15 November 2016. Members asked that I thank you for your co-operation and pass on the following comments and observations in relation to the refreshed reporting of Quarter 2 performance 2016/17, captured during their discussion at the Way Forward.

The Committee wishes to acknowledge that the Council is still in the process of refreshing its performance management reporting arrangements. We are generally very happy with the extension of the balanced scorecard approach to each Directorate. However Members are still unclear which Performance Indicators are proving challenging and which are improving performance. We would therefore like to see a corporate summary of highs and lows during the quarter, highlighting clearly where current performance concerns are for the Council. The Head of Performance kindly indicated this would not be an issue, and as an example we note specific quarter 2 improvements in processing planning applications, and street cleanliness.

The Committee recognises that the Council has made considerable progress in reducing sickness absence over the last four years, but Members are concerned about the quarter 2 sickness absence projections given that in every Directorate projections outstrip targets. Whilst we note your view that this is a result of stretching targets, and we accept that good work to address matters is underway, we wish to take up your offer of providing greater detail in respect of the Education-non-school service. We are not entirely convinced with the explanation that the increase in sickness absence within Leisure services is a consequence of the transfer of Leisure services staff, and the suggestion that the Council's contractor, GLL, consider such a spike the norm at this point in time.

Members are concerned as to whether 2015/16 unachieved savings have been written off, or are to be included in the Council's savings proposals for 2017/18. We note your explanation that £1m unachieved savings from 2015/16 would not be written off unless accepted by Council as a part of the proposals for the 2017/18 budget. We note also that there will be significant detail on the current position attached to the month 6 2016/17 Cabinet report next month. We also acknowledge that savings are sometimes technically and practically unachievable, such as the proposed increased charge for credit card payments prevented by changes in banking regulations.

The Committee considers that the budget setting process was brought forward 3 months this year, and as such it is confusing as to why there is a 30% shortfall on projected savings at quarter 2 2016/17. We note your suggestion that bringing the process forward will impact on next year (2017/18) rather than this year (2016/17); that there are now more steps in the challenge process, and more challenge of detailed Directorate plans. Members remain concerned that Directorates will fail to deliver savings and would be interested in more detail of how a decision is taken to write off savings. We note however that projected savings are often delayed rather than non deliverable, if so then the two explanations should mean that in 12 months time we can expect to be in a better position in terms of deliverability of savings.

Some Members feel the title 'Council Overview Scorecard' is misleading. We note that the KPI's used in the performance report measure performance against the Council's Improvement Objectives alone, and not improvement against performance of Council services in general. We note these are the indicators of strategic interest rather than the entire set used but feel whilst it provides a strategic overview it is not an all encompassing view and this should be clearer.

The Committee wishes to re-iterate it feels the public should have access to an overarching council wide view of the performance of services. We understand you are still developing the final reporting process, and are pleased you are still committed to using infographics for the public. We feel it is important to enable the public to access a level of performance data that facilitates an assessment of where the Council is at.

Finally we would remind you that other scrutiny committees focus on day to day performance and as you continue your refresh of performance arrangements we re-iterate some are keen to have a bespoke report that enables very focussed monitoring of frontline services.

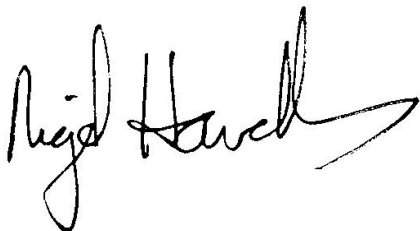
To re-cap, the Committee:

- As part of the quarterly performance report would like to see a corporate summary of highs and lows during the quarter, highlighting clearly where current performance concerns are for the Council.

- Wishes to take up your offer of providing greater sickness absence detail in respect of the Education-non-school service.
- Remains concerned that Directorates will fail to deliver savings and would be interested in more detail of how a decision is taken to write off savings
- Feels it is important to enable the public to access a level of performance data that facilitates an assessment of where the Council is at.
- Re-iterates some Scrutiny committees are keen to have a bespoke report that enables very focussed monitoring of frontline services.

Once again my sincere thanks for attending Committee. The Members remain committed to playing an effective part in the Council's improvement journey, which we are able to achieve with your open approach to internal challenge as part of the decision making process.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Nigel Howells', with a long, sweeping horizontal stroke at the end.

COUNCILLOR NIGEL HOWELLS
CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

cc Members of the Policy Review & Performance Scrutiny Committee;
Councillor Graham Hinchey, Cabinet Member Corporate Services & Performance;
Christine Salter, Corporate Director Resources;
Davina Fiore, Director of Governance & Legal Services;
Joseph Reay, Head of Performance & Partnerships;
Clare DeGuara, Cabinet Business Manager;
Naomi Evans, PA to Leader.

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Date: 23 November 2016

Councillor Phil Bale
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Dear Councillor Bale

Policy Review & Performance Scrutiny Committee: 15 November 2016.

On behalf of the Policy Review & Performance Scrutiny Committee thank you for attending Committee for consideration of the Wales Audit Office (WAO) Corporate Assessment Review Follow On report. Please also pass on the Committee's thanks to Christine Salter, Davina Fiore and Joseph Reay for supporting this item and answering Members' questions. I have been asked to pass on the following observations and concerns.

The Committee wishes to commend you on the generally strong progress the Council has made in delivering the Corporate Follow On Statement of Action. Members have some concern that the Leadership and Management heading has just one action, and were looking for evidence of how Leadership has improved. The Committee was reassured that continual improvement in staff engagement is in place, with the introduction of the Chief Executive staff roadshows, the launch of a staff app, openness to staff ideas, and development programmes in place for staff to support succession planning.

The Committee is interested in progress around IT, specifically the customer facing system, CRM. We are reassured to hear that the integration of our existing systems with SAP are considered by the company to be critical given the cutting edge nature of our work with them, are being addressed at the highest level, and that there are teams on site to develop solutions. We note the Council cannot deliver a customer portal until the digitalisation issues currently experienced by C2C operators are resolved. We were interested to hear the Council has a contractual relationship with two partners, SAP plus a gold standard implementation partner. Therefore, as CRM is considered the key customer facing system, Members are frustrated we are not further ahead and will keep a close eye on developments. We feel that the Council should have a resolution date in mind and have some concerns that there is no deadline in place or definite date as to when the problem will be resolved. We would consequently request an update on SAP/CRM when there is something significant to report back.

Members wish to clarify how the WAO are monitoring progress on the Council's Statement of Action, and whether in fact they consider good progress has been made. We note the regular informal discussion between the Head of Performance and WAO, at which they are ensuring the Council understands the barriers and takes mitigating actions. We endorse the more formal governance of public reporting to Cabinet and Scrutiny. In April 2016 you indicated you were unclear whether WAO would undertake a further formal review visit in 12 months time. Following this meeting we are still unclear as to whether the Council can expect a further inspection.

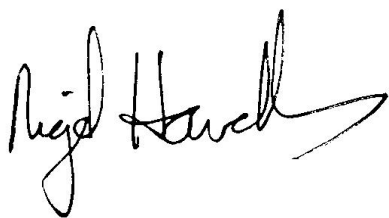
The Committee notes that Lead officers are named throughout the Statement of Action, making them accountable for performance. We welcome the officer view that performance management needs to be mainstreamed into the management of all services. We are less clear as to how performance focussed Directorates are, and whether they face any consequences for poor performance. We have noted that the Council will undertake a self assessment within this financial year of how well performance is embedding, and will factor this into our work programming.

.To Recap, actions arising from the Scrutiny are as follows:

- As CRM is considered the key customer facing system, we will keep a close eye on developments. We have some concerns that there is no deadline in place or definite date as to when the problem will be resolved. We would like an update on SAP/CRM as soon as there is something significant to report back;
- We are still unclear as to whether the Council can expect a further WAO inspection. As Council will undertake a self assessment within this financial year of how well performance is embedding, we will factor this into our work programming

Please could I ask that you relay our comments and observations to the Cabinet, and once again please pass on my thanks to all Cabinet Members and witnesses who attended for consideration of this important assessment of the Council's arrangements to secure continuous improvement.

Yours sincerely



COUNCILLOR NIGEL HOWELLS
CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

cc Members of the Policy Review & Performance Scrutiny Committee
Paul Orders, Chief Executive
Christine Salter, Corporate Director Resources
Davina Fiore, Director Governance & Legal Services
Joseph Reay, Head of Performance & Partnerships
Claire Deguara, Cabinet Support Office
Naomi Evans, PA to Leader

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My Ref: Scrutiny/Correspondence/Cllr McGarry

9 November 2016

Councillor Susan Elsmore
Cabinet Member
c/o Room 520
County Hall
Cardiff
CF10 4UW



Dear Susan

Community & Adult Services Scrutiny Committee – 2 November 2016

On behalf of the Members of the Community & Adult Services Scrutiny Committee, I would like to thank you, John Cushen and Phil Harding (Cardiff and Vale Parents Federation), Kirsty Best (Absolute Care), Huw Owen (Bluebird Care, Cardiff South), David Francis and Bernard McDonald (CSSIW) and officers for attending for Agenda Item 5 Domiciliary Care; a separate letter has already been sent regarding Agenda Item 6, Building Maintenance Framework.

At the end of the meeting, Members asked me to write to you with the following observations, comments and recommendations which we hope will be of benefit to you and all partners in taking forward work to improve the situation regarding Domiciliary Care in Cardiff.

An overarching message that came out of this scrutiny is the clear willingness from all parties to work together constructively to address fragility in the domiciliary care market and develop solutions that work for Cardiff; Members commend all for their willingness to do so which can only be to the benefit of our vulnerable citizens.

Our scrutiny focused on four main areas (capacity, sustainability and contingency; quality; cost control; and future arrangements) and this letter is structured accordingly.

Members were interested to explore with witnesses the key issues in Cardiff with regard to capacity and sustainability in the domiciliary care market. Members remember the hopes expressed previously that the matrix/ *adam* system would help increase capacity and sustainability. Members note that *adam* has been useful in increasing transparency; however, capacity remains an issue. Witnesses concurred that the main issue affecting capacity in Cardiff is the ability to recruit and retain good quality, reliable staff; Members note the linkages between these issues and the fact that care workers receive low pay.

Members can see that efforts are being made to address capacity and sustainability, for example via the planned Carers Campaign and the Locality Working pilot, and we applaud the willingness to try to make a difference. However, we are concerned that these will not be sufficient to address the capacity issues whilst the overall landscape remains the same; there are inherent flaws in the system, which lead to capacity issues

and a consequent lack of resilience. Members agree that a re-imagining of the Health and Social Care system is required, which transfers savings made in Health to meet costs borne in Social Care. Members were pleased to hear that the Regional Partnership Board is working on these issues and therefore **Members request** that more information on this is supplied with our committee papers for the planned scrutiny of the regional integration work, currently scheduled for consideration at Committee in January 2017.

Members were pleased to hear David Francis state that timely care plan reviews are a critical part of ensuring capacity and sustainability in domiciliary care; this echoes our frequent observations that timely reviews are essential. Members are aware of efforts made in the last year to improve performance in this area and we plan to keep an eye on this via our Performance and Budget Monitoring Panel.

Members recognise that contingency systems are in place and that the market has, thus far, responded positively by stepping in at short notice to provide care when providers cease operating. However, Members recognise that this remains a key risk for the Council, given the current landscape.

With regard to improving quality, Members note the evidence supplied about how the 50% quality element of *adam* is constituted, including the 10% based on how a provider will meet the desired outcomes required for the client. Members note that there is now agreement from all providers to assess the 10% regarding outcomes after 4-6 weeks as part of the review process. Members have some concerns about this and therefore **Members request** a briefing note on this element that particularly answers the following: if the providers approach to delivering desired outcomes is not assessed until the 4-6 week review, how can the Council be assured that the provider will meet the needs of the client in the first 4-6 weeks? What mechanisms will be in place to ensure the assessment of outcomes?

Also in connection with quality, Members were pleased to hear the Assistant Director of Adult Social Services, Amanda Phillips, state that the aim is to eliminate 15 minute visits and that robust contract monitoring is in place to ensure that quality cannot be compromised. Members agree that visits less than 30 minutes should be the exception and that the Council should be able to clearly demonstrate that these visits meet the needs of the client. Members would like to know how many clients receive visits that are scheduled to be less than 30 minutes; therefore **Members request** that this information be provided for 2016/17 thus far, along with the overall number of clients receiving visits.

Members note that a pressure bid has been submitted for 2017/18 for additional monies to meet the rising demographic need for domiciliary care. In the meantime, Members note that the Assistant Director of Adult Social Services, Amanda Phillips, is checking high cost packages as one of the cost control mechanisms and that discussions are underway with providers about whether to amend the *adam* system to allow providers to make one bid per care package. Members request that they be provided with an update on this if the current system of multiple bids is amended.

Members were interested to hear from the Cardiff and Vale Parents Federation and the providers present that it was not uncommon for clients to have to 'top-up' Direct Payments to meet the fees charged. At the meeting Members were informed that the Council's Direct Payments level is £11.96 per hour, whereas the fees charged by some providers are £17.50 per hour for some double handed care cases, and £14.96 per hour for a less complex care package. Members also heard that, for a week's respite care for

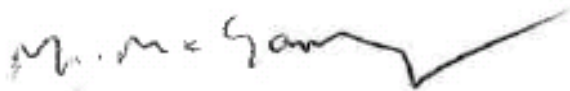
their adult son, one parent pays a top-up of £80-£90 per week. Members note this evidence.

With regard to future arrangements, Members note that the *adam* license expires in November 2018 and that work is underway to develop a sustainable model, albeit that there is no one silver bullet that can resolve the flaws in the current system. **Members recommend** that parents and carers are brought into the conversation about future models at an early stage to ensure that their views, experiences and expertise can inform the development of an appropriate model for Cardiff.

Finally, Members were very interested in the findings of the CSSIW National Review of Domiciliary Care in Wales and in the local authority specific reports. **Members request** a copy of the action plan developed to respond to the issues raised by the CSSIW in relation to Cardiff.

Thank you again to all for attending the meeting and contributing to our scrutiny. We look forward to your response to our recommendations and requests and wish you all the best in their efforts to strengthen and improve domiciliary care in Cardiff.

Yours sincerely,



COUNTY COUNCILLOR MARY M^CGARRY

Chairperson - Community & Adult Services Scrutiny Committee

Cc:	John Cushen	Cardiff & Vale Parents Federation
	Phil Harding	Cardiff & Vale Parents Federation
	Kirsty Best	Absolute Care
	Huw Owen	Bluebird Care (Cardiff South)
	David Francis	CSSIW
	Bernard McDonald	CSSIW
	Tony Young	Director of Social Services
	Amanda Phillips	Assistant Director, Adult Social Services
	Paula Angel	Personal Assistant
	Matt Swindell	Cabinet Office

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My Ref: Scrutiny/Correspondence/Cllr McGarry

3 November 2016

Councillor Susan Elsmore
Cabinet Member
c/o Room 520
County Hall
Cardiff
CF10 4UW



Dear Susan

Community & Adult Services Scrutiny Committee – 2 November 2016

On behalf of the Members of the Community & Adult Services Scrutiny Committee, I would like to thank you and officers for attending for Agenda Item 6, Building Maintenance Framework and for ensuring this item was available for pre-decision scrutiny. A separate letter is being sent regarding Agenda Item 5, Domiciliary Care.

Having considered the draft Cabinet Report, its' appendices and the evidence presented at the meeting, Members are content with the proposals which seem well thought out and designed to improve customer care, contract monitoring and capacity. Members are particularly pleased that there will be better information available regarding sub-contractors and stronger mechanisms to ensure that the services delivered meet contractual requirements. Members are interested in carrying out further scrutiny of the specifications and ask that officers liaise with Scrutiny Services to enable this to happen in a timely manner.

Members note that the three geographical areas have been worked out by considering access routes around the city and the number of properties in each area.

Members were also reassured by the answers given that the risks were being appropriately managed.

Finally, as discussed at the meeting, the draft report needs amending at point 17 to remove 'painting' from the list of works that would be procured outside the framework.

Yours sincerely,

COUNTY COUNCILLOR MARY M^CGARRY

Chairperson - Community & Adult Services Scrutiny Committee

Cc:	Sarah McGill	Director of Communities, Housing and Customer Services		
	Jane Thomas	Assistant Director, Communities & Housing		
	Sue Bartlett	Operational Manager		
	Liz Patterson	Personal Assistant	Matt Swindell	Cabinet Office

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My Ref: Scrutiny/Correspondence/Cllr McGarry

9 December 2016

Councillor Susan Elsmore
Cabinet Member
c/o Room 520
County Hall
Cardiff
CF10 4UW



Dear Susan

Community & Adult Services Scrutiny Committee – 7 December 2016

On behalf of the Members of the Community & Adult Services Scrutiny Committee, I would like to thank you and officers for attending for Agenda Item 4, Direct Payments.

Members were interested to learn more about the work to review arrangements and develop options for the future. Members note the objectives of improving arrangements for those using Direct Payments by simplifying the referral pathway and increasing choices. Members also note the aim of achieving value for money for the Council whilst ensuring quality of provision. Underpinning these is the need to increase the numbers of personal assistants available to provide care and support. Members support these goals, which will help us to meet our legal duties.

Members have re-arranged our work programme to accommodate pre-decision scrutiny of the Cabinet report on Direct Payments. The 18th January 2017 committee meeting will include this and an item on Adult Safeguarding. Our 8th March 2017 committee meeting will include scrutiny of the draft Housing Revenue Account Business Plan and Regional Partnership Board.

As part of our pre-decision scrutiny of Direct Payments, Members would like to receive more information about what the arrangements will look like in practice. In particular, Members would like more information on:

- The respective roles of Social Services and Preventative Services in the new pathway;
- The monitoring requirements built into the specification;
- The evaluation criteria and weighting;
- The transition arrangements, to ensure continuity and no detriment to service users.

Members accept the offer to receive comparator information on Direct Payments rates. Please send this to Scrutiny Services for inclusion in our committee papers in January 2017.

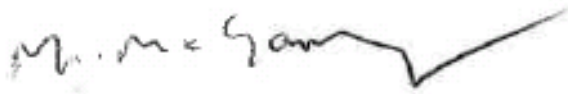
Members recognise that there is a real opportunity to make a difference for service users and carers by ensuring the direct payment system works for them. Members also

recognise the need to ensure value for money for the Council. However, Members are concerned about the tight timescales outlined at the meeting. Members recognise that officers are working hard to deliver to these timescales. However, Members would like assurance that more time will be taken if it is needed to ensure that the best possible scheme is developed.

Finally, Members noted the consultation finding that '93% of respondents felt that their social worker was helpful during the process.' Members ask that you pass on our commendations and thanks to social workers for their hard work assisting clients positively. Their efforts are recognised and appreciated.

Once again, thank you for bringing progress in this area to our attention. This letter has requested information be supplied in time to go out with our committee papers for 18 January 2017 meeting. However, other than that information, it does not require a response.

Yours sincerely,



COUNTY COUNCILLOR MARY M^CGARRY

Chairperson - Community & Adult Services Scrutiny Committee

Cc:	Sarah McGill	Director of Communities, Housing and Customer Services		
	Tony Young	Director of Social Services		
	Amanda Phillips	Assistant Director of Social Services - Adults		
	Denise Moriarty	Strategic Lead Planning Officer – Learning Disabilities		
	Liz Patterson	Personal Assistant	Matt Swindell	Cabinet Office

Fy Nghyf / My Ref: NRS/RM/PB/11.11.16

Dyddiad / Date: 16 November 2016



Councillor Phil Bale
Leader, City of Cardiff Council
County Hall
Cardiff
CF10 4UW

Dear Councillor Bale

ECONOMY AND CULTURE SCRUTINY COMMITTEE – 11 NOVEMBER 2016

Dumballs Road Regeneration

Thank you for attending the November meeting of the Economy and Culture Scrutiny Committee, where we considered an item on Dumballs Road Regeneration. I appreciate that a Friday evening isn't the ideal timing for a rearranged Committee meeting and welcome the flexibility shown by both yourself and officers in accommodating this. I will be grateful if you could also pass on the thanks of the Committee to Neil Hanratty for his presentation and for addressing the questions that arose during the meeting. The Committee had a few comments and observations following the meeting, which are set out below.

Members of the Economy and Culture Scrutiny Committee support the proposals described at the meeting, namely to work in partnership with Vastint on the regeneration of this section of Dumballs Road. We accept that the location of this land, proposed other developments and transport improvements to the south of Cardiff Central station, coupled with the reputation of Vastint makes this an attractive proposition.

During the meeting discussion took place around the source of funds the Council will draw on to purchase its allocation of the site. We understand that this money has been secured through an Enterprise Zone Capital Allocation borrowed against a revenue budget that was allocated a number of years ago. Members are keen to stress that there should be a limit to the amount of money this Council borrows, given our increasing dependence on borrowed finances. That said, we can see that in this case there is potential for the value of this land to increase and anticipate there could be opportunities for the Council to make money in the long run through this transaction.

The Committee understands that there is an important role for the Council to play in pulling together and coordinating development opportunities in Cardiff, but we perceive the Council's role as a catalyst, or an enabler for other organisations, rather

than taking on financial commitments and risk as a lead developer ourselves. In this situation we appreciate that the Dumballs Road site is larger than Vastint is willing to purchase alone, requiring the Council to make a significant land acquisition to secure Vastint's investment. We would, however, prefer that the Council were not so heavily involved in every development opportunity in the city, and in the future should ideally look to facilitate such developments without taking on financial risks.

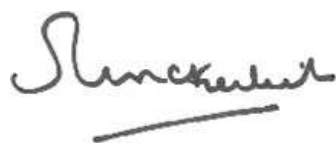
Discussion also took place during the meeting with regard to the Council's exit strategy on this matter, in that they have purchased approximately 12 acres of land near the City Centre. We were informed that there are a number of options currently being considered, with housing high on the agenda, and that details will become clearer through the site masterplan developed with Vastint. Members of the Committee would wish this master planning to be undertaken with a clear vision in mind from the Council, a clear idea of what the land will be used for and how the Council will recoup its expenditure. Members wish to request that details of the masterplan and the Council's exit from this land ownership are shared with us as soon as possible.

Members understand that there is a very short timeline between seeking Cabinet approval for these proposals and the final deadline for purchase on 16 December 2016. This proposal might under normal circumstances seem therefore to have been hastily assembled, but given the deadline set by previous options agreements and the potential difficulties in reaching similar agreement in the future, we acknowledge that the Council cannot afford to let these options agreements expire, and we endorse this swift course of action.

In summary, and in relation to the contents of the Cabinet Report, Members of the Committee endorse the report and recognise why the recommendations have been framed, namely; to work in partnership with Vastint on proposals for Dumballs Road; to purchase approximately 12 acres of land; and to dispose of the former Depot Building at Bessemer Close. We would support a decision for authority on these grounds to be granted by the Cabinet.

I will be grateful if you would consider the above comments, observations and recommendations, and look forward to receiving your feedback.

Regards,

A handwritten signature in black ink, appearing to read 'Rod McKerlich', with a horizontal line underneath it.

Councillor Rod McKerlich
Chairperson, Economy and Culture Scrutiny Committee

cc Economic Development Officers
Andrew Cobden – Vastint
Members of the Economy and Culture Scrutiny Committee
Cabinet Support Office

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Fy Nghyf / My Ref: NRS/RM/PBr/11.11.16

Dyddiad / Date: 24 November 2016



Councillor Peter Bradbury
Cabinet Member: Community Development, Co-operatives & Social Enterprise
City of Cardiff Council
County Hall
Cardiff
CF10 4UW

Dear Councillor Bradbury

ECONOMY AND CULTURE SCRUTINY COMMITTEE – 11 NOVEMBER 2016

Thank you for attending the November meeting of the Economy and Culture Scrutiny Committee, where we considered items on the Welsh Public Library Standards Annual Report and the Summer Reading Challenge 2016. I appreciate that a Friday evening isn't the ideal timing for a rearranged Committee meeting and welcome the flexibility shown by both yourself and officers in accommodating this. I will be grateful if you could also pass on the thanks of the Committee to Isabelle Bignall and Nicola Richards for their presentation and for addressing the questions that arose during the meeting. The Committee had a few comments and observations following the meeting, which are set out below.

Welsh Public Library Standards

Members of the Committee were pleased to be informed that Cardiff continues to perform well against the Welsh Public Library Standards 5th Framework. In considering this item last year we wrote to comment that we felt some of the measures used within the Framework could be considered less than appropriate. This clearly is presenting itself again this year, with Cardiff Council being penalised for overspending against the target for children's literature (WPLSQI 9). We accept the explanation given in the presentation, and feel it is acceptable to be spending 24% of the material budget on children's literature given that 32% of issues are on children's stock. Similarly with regard purchases of Welsh Language materials, we were informed at the meeting that Cardiff Council purchases all stock that becomes available, and are still judged to have missed the target within the WPLS Framework. We feel such Indicators should be amended so that authorities are not marked down for exceeding required expenditure and give strong support to you making such representations to the appropriate Minister and Welsh Government officials.

Discussion took place around WPLSQI 12 – Supply of Requests, where we were informed that performance is low due to a glitch in the electronic systems, meaning books were being delivered to the wrong branch libraries. Members of the Committee were surprised that this glitch was not picked up quickly and was able to distort

figures to such an extent that saw Cardiff ranked as one of the lowest performing authorities against this indicator. We were assured at the meeting that there will be significant improvements for next year and this is something we will look to evaluate in 12 months time.

Members were informed during the meeting that stocks at Central and branch libraries are analysed based on information collected by the Electronic Data Interchange systems in place, allowing libraries to keep up with customer demand and provide users with the materials they want. We agree with this approach to a point, but would urge caution that we don't solely rely on market data and become demand led in terms of the books Cardiff libraries provide. It is important that our libraries provide a variety of books, rather than stripping them of the classics and other materials that aren't regularly read, and that this range enables people to try something different and serves to spark imagination.

Summer Reading Challenge 2016

With regard to results from the Summer Reading Challenge 2016, Members of the Committee wish to congratulate you and the Libraries Service for another successful year, where participation and completion rates have increased. We wish to encourage you for next year and hope that Cardiff will reach the 70% completion rate that has been targeted for a number of years. We also wish to congratulate you and officers on securing sponsorship from Joe's Ice Cream, we recognise that this creates a good incentive for children undertaking the Challenge and are pleased to hear that this sponsorship will continue for 2017.

I would be grateful if you would consider the above comments, observations and recommendations, and look forward to receiving your feedback.

Regards,



Councillor Rod McKerlich
Chairperson, Economy and Culture Scrutiny Committee

cc Sarah McGill – Director, Communities, Housing and Customer Services
Isabelle Bignall – Assistant Director
Cabinet Support Office
Members of the Economy and Culture Scrutiny Committee

Date 11 October 2016

My Ref SS/CYP/MJH
Your Ref:



County Hall
Cardiff,
CF10 4UW
Tel: (029) 2087 2087

Neuadd y Sir
Caerdydd,
CF10 4UW
Ffôn: (029) 2087 2088

Rosemarie Whittle
Head of Operations and Delivery Community Child Health Directorate
Lansdowne Hospital,
Sanatorium Road, Canton,
CARDIFF
CF11 8TJ

Dear Rose

On behalf of the Children & Young People Scrutiny Committee I would like to thank you and Tracy Gardiner – Clinical Director CAMHS Network, for attending the meeting on 8th November 2016 to present a briefing on the **Child & Adolescent Mental Health Service**. During the way forward section of the meeting the Members considered the information in the report, together with answers to their questions, and agreed to provide you with the following comments and suggestions.

The Committee were pleased with the excellent work that you and your team have been undertaking to improve the overall service and the Commissioning of the Emotional Wellbeing & Support Service. The Members were particularly impressed with the progress being made by the waiting list initiative, which has already significantly reduced waiting times.

The Committee also wished to highlight a few issues, which were discussed with you, that they felt would benefit from further investigation and development, namely:

- A potential gap in the referrals process, assessment and support for early years, children under the age of 6.
- The level of capacity to meet the expected increasing demand for services and support (596 referrals since 1st June).
- Of a more specific phone number for “out of hours referrals” than the UHW switchboard.

I hope that these comments, and advice will be of use and support in improving outcomes for children. The Committee looks forward to receiving response to this letter within the next month, and would appreciate a further briefing on progress, in a year’s time.

Yours sincerely

COUNTY COUNCILLOR RICHARD COOK
Chairperson – Children and Young People Scrutiny Committee
CC: Tracy Gardiner – Clinical Director CAMHS Network
Tony Young, Director of Children’s Services

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County Hall
Cardiff,
CF10 4UW
Tel: (029) 2087 2087

Neuadd y Sir
Caerdydd,
CF10 4UW
Ffôn: (029) 2087 2088

Date 8 December 2016

My Ref SS/CYP/MJH
Your Ref:

Councillor Sue Lent
Deputy Leader and Cabinet Member for Families, Children and Early Years
County Hall
Atlantic Wharf
CARDIFF
CF10 4UW

Dear Sue

On behalf of the Committee, I would like to thank you, Tony Young, Director of Social Services, Angela Bourge, Operation Manager Resources and Ceri George, Improvement Project Manager for attending the Children and Young People Scrutiny Committee on 6 December to present the **Draft Cabinet Report on Families First** During the way forward section of the meeting the Members considered the information in the report, together with answers to their questions and agreed to provide you with the following comments and concerns.

The Committee was pleased with the draft Cabinet report and considered it to be a positive response to the concerns raised around the transitions arrangements by Committee in October. The Members reviewed the plans for the interim arrangements for the extension of some contract terms, de-commissioning of some of the services, the alternative / pilot arrangements during the transition period and the commissioning the next families first programme.

The Committee noted that the Directorate has started to prepare for new commissioning during the transition period, including consulting with all relevant stakeholders. Once the Directorate is in a position to propose a model for the longer term arrangements and having taken into account the final WG guidance a further report will be submitted to Cabinet for approval. The Committee recommends that all appropriate providers must be considered as part of the tendering process i.e.: both large and small organisations, and that the draft Cabinet report should be brought back to this Committee prior to its consideration by Cabinet. The Committee also noted the contents of the letter sent by Sova Wales, which was circulated at the start of the item.

Finally, the Committee wished to thank the Officers for their work in developing and drafting the report, and subsequently commended the draft report to Cabinet.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Cook', with a long horizontal flourish underneath.

COUNTY COUNCILLOR RICHARD COOK
Chairperson – Children and Young People Scrutiny Committee

CC: Tony Young, Director of Children's Services
Melanie Jackson - Personal Assistant to Deputy Leader
Angela Bourge, Operational Manager Resources
Ceri George, Improvement Project Manager

My Ref: Scrutiny/Correspondence/MJH

13 December 2016



County Hall
Cardiff,
CF10 4UW
Tel: (029) 2087 2087

Neuadd y Sir
Caerdydd,
CF10 4UW
Ffôn: (029) 2087 2088

Councillor Sarah Merry
Cabinet Member - Education
County Hall
Atlantic Wharf
CARDIFF
CF10 4UW

Dear Sarah

On behalf of the Committee I would like to thank you for attending the Children and Young People Scrutiny Committee on 6 December 2016, to introduce **the Effectiveness of School Governors, Quarter Two Corporate Performance Report and Cardiff 2020 reports**. The Committee welcomed your statements and answers to Members' questions. I would also like to thank Nick Batchelar and Jackie Turner for the presentation of the reports, as well as the answers they gave to Members' questions. During the Way Forward section of the meeting the Members raised a number of comments and concerns for your consideration, which they asked me to write to you about.

Effectiveness of School Governors – progress report

The Committee was very pleased to see that all the inquiry's report's recommendations had been addressed. Members did however feel that although the progress report explained in some detail what was being done, it didn't reflect the reality of what was happening in individual school governing bodies. In particular, the difficulty of getting long term commitment from business people on governing bodies.

The Members also expressed their concern that a number of Governors had found that the expectations of Challenge Advisors, during meetings with Governing Bodies, far exceeded the abilities of the Governors, and did not reflect the level of expertise that the Governors training modules had provided.

The Committee will be responding to the Welsh Government consultation on "Reform of school governance: regulatory framework".

Finally, the Committee requested details of the number of school governors who had resigned, during the past 12 months, as Members considered that the additional pressure and work being placed on these volunteers could be making them reconsider their appointment as school governors.

Quarter Two Corporate Performance Report

The Committee welcomed the opportunity to review and assess the quarter two corporate performance report.

The Members again expressed concern at the high level of sickness in the Directorate, and inquired as to what actions were being taken to reduce the level of sickness. Members also asked for an analysis of the sickness rates by section, to help them identify which areas of the service had the highest level of sickness.

Finally, the Committee requested a briefing paper on the re-modelling of the Out of County service together with the work being undertaken by the post jointly funded by Education, Social Services and Health.

Cardiff 2020

The Members welcomed the development of performance baseline positions against the desired outcomes and success measures against the five key goals. The Committee noted that the Council's Education Development Board would be receiving regular reports providing an overview of progress against each of the performance measures.

The Committee understood that the achievement of the five key goals was dependent on the actions of a number of agencies working in partnership, however they expressed some concern that there was not a partnership coordinating body in place to ensure that everyone was working towards the achievement of the five key goals. The Committee therefore recommended that the Council, through something like, the Public Services Board, organise a partnership monitoring body for the implementation of the Cardiff 2020 actions, thereby ensuring that all partners work effectively to achieve the five key goals and desired outcomes identified in the strategy.

The Committee then took the opportunity to reflect on the Pisa results, which had been published on the day of Committee. Members acknowledged that there should not be a knee jerk reaction to these disappointing results, but more needs to be done to improve the educational attainment of pupils. The Committee therefore requested that you liaise with the Consortium to provide a briefing on how you are going to analyse, and respond to, the Pisa results. Together with any additional actions being undertaken, to improve the quality of teaching, leadership and the shape of education in Cardiff, in light of the Pisa results.

I hope that these comments, advice and requests for information detailed above will be of use and support in improving outcomes for Cardiff's pupils. The Committee looks forward to receiving further briefings, requests for information, and as such the Members require a formal response to this letter within the next month.

To recap, this letter requests several actions, requests for information and recommendations, as follows and requires:

- Details of the number of school governors who had resigned, during the past 12 months;
- An analysis of the sickness rates by section;

- A briefing paper on the re-modelling of out of county service together with the work being undertaken by the post jointly funded by Education, Social Services and Health;
- Recommended that the Council, through something like the Public Services Board, organise a partnership monitoring body for the implementation of the Cardiff 2020 actions; and
- A briefing paper on the Education Service/Consortium response to the disappointing Pisa results for Wales.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Cook', with a long horizontal line underneath it.

COUNTY COUNCILLOR RICHARD COOK
Chair – Children and Young People Scrutiny Committee

CC: Nick Batchelar, Director of Education and Lifelong Learning
Jackie Turner, Assistant Director of Education and Lifelong Learning
Suzanne Scarlett, Head of Performance

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DRAFT Audit Committee Work Programme 2016-17

Key: One-off Items

Topic	Monday 27.06.16 at 10.30am (CR4)	Wednesday 19.09.16 (Workshop 12.30-1.30pm) at 2pm (CR4)	Tuesday 29.11.16 at 2pm (CR4)	Tuesday 24.01.17 at 2pm (CR4)	Tuesday 14.03.17 at 1.30pm (CR1)	Tuesday 20.06.17 at 2pm (CR4)
Wales Audit Office	Corporate Assessment Update	Corporate Assessment Update				
	Annual Improvement Report <i>(Deferred to Sept)</i>				Annual Financial Audit Outline	Annual Improvement Report
	Regulatory Programme Letter/ Update Performance Audit Work & Fees 2016-17	Audit of Financial Statement Report for City of Cardiff Council (ISA260)				Regulatory Prog. Update & Fee information '17-18
		Audit of Financial Statement Report - Cardiff & Vale of Glamorgan Pension Fund (ISA260)				
		<i>[Cardiff & Vale of Glamorgan Pension Fund Statement of Accounts 2015/16 (contained within SOA)]</i>				
		Annual Improvement Report			Cardiff & Vale Pension Fund Audit Plan	
	Report Progress Updates	Report Progress Updates	Report Progress Updates	Report Progress Updates	Report Progress Updates	Report Progress Updates
Treasury Management	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report
		Annual Report	Half Year Report		Treasury Mgmt Practices	
				Draft Strategy '17-18	Strategy '17-18	
Finance	Financial Update including Resilience Issues	Financial Update including Resilience Issues	Financial Update including Resilience Issues	Financial Update including Resilience Issues	Financial Update including Resilience Issues	Financial Update including Resilience Issues
	Draft Statement of Accounts for '15-16 (including the AGS)	Draft Statement of Accounts for '15-16 (including the AGS)			Draft Statement of Accounts/AGS & report any changes in accounting policy	Draft Statement of Accounts '15-16 (including the AGS)
		Audit of the Financial Stat't Report – Cardiff & Vale of Glamorgan Pension Fund (ISA260)				
		Welsh Pool Pension Fund Governance Aspects				
	WAO Tracker/Other Studies	WAO Tracker/Other Studies	WAO Tracker/Other Studies	WAO Tracker/Other Studies	WAO Tracker/Other Studies	WAO Tracker/Other Studies
Internal Audit		Progress update (to include Benchmarking & Comparative Data Matching)	Half Yearly Progress Report	Progress Update	Progress Update	Progress Update
	Internal Audit Annual Report '15-16	Progress Update (Highways Audit Feedback)		Draft Audit Strategy '17-18	Audit Strategy '17-18	Internal Audit Annual Report '16-17
		VFM Exercise – Supply Teachers				

Topic	Monday 27.06.16 at 10.30am (CR4)	Wednesday 19.09.16 (Workshop 12.30-1.30pm) at 2pm (CR4)	Tuesday 29.11.16 at 2pm (CR4)	Tuesday 24.01.17 at 2pm (CR4)	Tuesday 14.03.17 at 2pm (CR4)	Tuesday 20.06.17 at 2pm (CR4)
Governance and Risk Management	Audit Committee Annual Rep. '15-16			Audit Committee Annual Report Discussion	Audit Committee Draft Annual Rep. '16-17	Audit Committee Annual Rep. '16-17
	Senior Management Assurance Statement Review – Feedback		Senior Management Assurance Statement Review		Interim Position Senior Management Assurance Statement Review	Senior Management Assurance Statement Review – Feedback – Final Position
				AGS '16-17 Action Plan (Mid-Year)	Draft Annual Governance Statement	
	Corporate Risk Register (Year-End)	Risk Management Update	Corporate Risk Register (Mid-Year) [to include Corporate Risk Map]			Corporate Risk Register (Year-End) [to include Corporate Risk Map]
			Self-Assessment Feedback/Action Plan		Audit Committee Self -Assessment Feedback/Action Plan	
				Audit /Scrutiny Protocol		
Operational matters / Key risks	Director of Education – Annual Report on Governance (including Balances) & Deficits in Schools (Deferred to Sept.)	Director of Education - Annual Report on Governance (including Balances) & Deficits in Schools	Director Social Services (Financial Position)	Links between the ODP and Medium Term Financial Plan	Director City Operations Update on Highway Payroll Review	
		Director City Operations – Response to Internal Audit Report (Highways Payroll Follow up Review		Building Maintenance Framework		

Audit Committee Action Plan

(Updated following meeting held on 29 November 2016)

Minute No. /Agenda No.	Actions	Timeline	Action Owner
Finance (Budget)			
MN5 22.03.16	Accounting Policies Update A report be presented to the Committee later in the year providing an update on progress on the task of valuing the infrastructure asset.	14.03.17	C Salter/ A Hirani
29.11.16	Financial Resilience Snapshot Month 6 The Committee agreed to continue to receive regular updates on financial resilience.	On-going	C Salter
29.11.16	Social Services Financial Position In terms of the Integrated Service/Financial Strategy, members requested that the finalised proposals be presented to the Audit Committee once approved by Cabinet. The Corporate Director gave an undertaking to facilitate this.	20.06.17	C Salter/ I Allwood
Governance & Risk Management			
MN31 30.11.15	Constructing Excellence Wales on Bldg. Maintenance Framework and Action Plan That Internal Audit follow-up on the action plan and the work on the future framework arrangements has been completed and is on the work programme for January 2017.	24.01.17	I Allwood
29.11.16	Work Programme Update The Corporate Director Resources circulate the Cabinet report on the Building Maintenance Framework for comment prior to the report being presented to Cabinet in January 2017. Sent 13.01.17	Pre- 24.01.16 Completed	C Salter
Wales Audit Office (WAO)			
MN10 22.03.16	Benchmarking Data	14.03.17	Janet McNicholas
MN9 22.03.16	Audit Committee to receive an update in 6 months to discuss alignment between the Organisational Development Programme and Medium Term Financial Plan;	24.01.17	I Allwood
29.11.16	Wales Audit Office Statement of Audited Accounts - The Committee requested WAO address the matters raised at the meeting with the Welsh Government. J McNicholas has passed the comments to the team who liaise with WG on accounts and audit regulation issues (12.01.17)	Completed	Janet McNicholas
WAO Tracker/Other Studies			
29.11.16	The Committee requested that they receive an update on study reports, as appropriate, at a future meeting.		
Internal Audit			
MN55 01.02.16	<u>Value for Money</u> The Audit Manager provide a further report on VFM studies to Audit Committee at its meeting in December 2016, and consider benchmarking with others on agency spend and standby and give further consideration to the possible introduction of business	29.11.16 Completed	I Allwood/ Audit

Minute No. /Agenda No.	Actions	Timeline	Action Owner
29.11.16	cases for standby arrangements. Value For Money (1) The Head of Finance present a report providing a breakdown of justifiable agency spend across service areas and a clarification of the £16m agency spend to a future meeting. (2) The Head of Finance present a position statement report on staff terms and conditions and a comparison with terms and conditions in other authorities.	14.03.17 14.03.17	I Allwood I Allwood
27.06.16	Progress Update Audit section provide further details of the carried over recommendations from audits, at the next meeting of the Committee.	On-going	I Allwood/ Audit
29.11.16	The Prosecution Policy be drafted to include a mechanism via which the authority is able to recover legal costs. (Already referenced in the draft policy.)	Completed	I Allwood
19.09.16	Internal Audit That an update on the two 'no assurance' audit reports are sent to audit committee members as they become available, and that the next meeting allows time for them to be presented and considered.	29.11.16 Completed	I Allwood/ Audit
29.11.16	Internal Audit No Assurance Reports The Head of Finance to provide Members of the Committee with the Estyn Inspection report for Riverside Special School. Link to Estyn report sent to members 09.12.16	Completed 09.12.16	I Allwood
Operational Items			
29.11.16	Social Services Financial Position The Chairperson to write on behalf of the Committee to the Chief Executive and the Section 151 Officer outlining the Committee's comments.	Pre- 24.1.17	Chair
Outstanding Actions			
AN10.2 22.06.15	<u>Director Strategic Planning & Highways – Response to Internal Audit Report</u> That the Committee receives a further progress report in six months.	Completed	Audit
19.09.16	A further report providing evidence that the Committee's earlier recommendations have been addressed be presented to a future meeting.	14.03.17	A Gregory