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AGENDA

Committee	AUDIT COMMITTEE
Date and Time of Meeting	MONDAY, 23 MARCH 2015, 2.00 PM
Venue	COMMITTEE ROOM 4 - COUNTY HALL
Membership	Sir Jon Shortridge (Chair), Ian Arundale, Professor Maurice Pendlebury and Hugh Thomas Councillors Howells, McGarry, Mitchell, Murphy, Robson, Walker and Weaver

Time approx.

- | | | |
|----------|----------------------------------------------------------------------------------------------------------|---------|
| 1 | Apologies for Absence | 2.00 pm |
| | 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 (<i>Pages 1 - 10</i>) | 2.00 pm |
| | To approve as a correct record the minutes of the meeting of 19 January 2015. | |
| 4 | Finance (<i>Pages 11 - 18</i>) | 2.05 pm |
| | 4.1 Budget – update | |
| | 4.2 Accounting Policy | |
| 5 | Governance and Risk Management (<i>Pages 19 - 68</i>) | 2.30 pm |
| | 5.1 Senior Management Review | |
| | 5.2 Audit Committee Self-Assessment 2015 - Feedback/Action Plan (attached) | |

- 5.3 Draft Annual Governance Statement 2014/15 (attached)
Audit Committee Annual Report – verbal update (DK)
- 5.4 Procurement & Contracting Sub-Group – update
- 6 **Wales Audit Office** (*Pages 69 - 90*) 3.15 pm
- 6.1 Annual Financial Audit Outline (attached)
- 7 **Treasury Management** (*Pages 91 - 162*) 3.40 pm
- 7.1 Performance Report (attached)
- Appendix 1 to Agenda Item 7.1 – Treasury Management - Performance Report – is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972**
- 7.2 Treasury Management Practices 2015/16 (attached)
- Appendix 1 to Agenda Item 7.2 – Treasury Management Practices 2015/16 - is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972**
- 8 **Internal Audit** (*Pages 163 - 224*) 4.00 pm
- 8.1 Executive Summary Report - Quarter 4 (attached)
- Appendix A to Agenda Item 8.1 – Executive Summary Report – Quarter 4 - is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972**
- 8.2 Audit Strategy 2015-16 (attached)
- 8.3 Fraud, Bribery and Corruption - Draft Policy (attached)
- 8.4 Fraud Related Matters (attached)
- 9 **Outstanding Actions** (*Pages 225 - 236*) 4.40 pm
- 9.1 Audit Related & Others (attached)
- Item 9.1 – Annex 1 – Executive Summary – Safeguarding - 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**
- 10 **Work Programme Update** (*Pages 237 - 238*) 4.50 pm
- Propose meetings for coming Municipal year (for Council

approval in May)

- WAO Financial Statement Training – proposal to run half hour training prior to June meeting and to consider separate meetings with WAO thereafter.

11 Urgent Business (if any)

12 Date of next meeting

Date of Next Meeting: 22nd June 2015 at 2.00pm, CR4

**Christine Salter
Corporate Director (Resources)**

Date: 17 March 2015

Contact: Paul Burke,
029 2087 2412, PaBurke@cardiff.gov.uk

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Agenda Item 3

These minutes are draft and are subject to approval as an accurate record at the next meeting of the Audit Committee to be held on 23 March 2015.

AUDIT COMMITTEE

19 JANUARY 2015

Present: Sir Jon Shortridge (Chairperson), Professor Maurice Pendlebury, Ian Arundale and Hugh Thomas

County Councillors Howells, McGarry, Mitchell, Murphy, Robson, Walker and Weaver.

Apologies:

44: DECLARATIONS OF INTEREST

The Chairperson reminded Members of their responsibility under Part III of the Members' Code of Conduct to declare any interest in general terms and to complete personal interest forms at the start of the meeting and then, prior to the commencement of the discussion of the item in question, specify whether it is a personal or prejudicial interest. If the interest is prejudicial Members would be asked to leave the meeting and if the interest is personal, Members would be invited to stay, speak and vote.

45: MINUTES AND ACTION PLAN

The Committee noted that many of the items on the Action Plan have now been actioned satisfactorily and completed.

RESOLVED – That the minutes of the meeting of the Audit Committee of 8 December 2014 be agreed as a correct record of the meeting and signed by the Chairperson.

46: FINANCE

Budget Update

The Committee was given an update by the Operational Manager (Project and Technical Accountancy).

In respect of the in year monitoring position Committee were reminded of the projected revenue overspend at month 6 and were advised that the month 9 figures were being collated but were showing a further deterioration of directorate overspend positions. The Section 151 Officer is establishing further controls to mitigate this risk for the remainder of the year. There is some concern that the Council may be in an overspend position at the year end which would impact on general reserves. The level of reserves is £11.4 million and has been for some years but there is a risk of some deterioration. The Operational Manager clarified that directorates that overspend are not expected to repay in the following year. The Committee noted with concern the possibility that the Council may not achieve a balanced year end position.

In respect of 2015/16 the budget gap as per the November 2014 report for next year was £48.294 million. The budget proposals released for consultation amounted to savings of £35.232 million. The budget consultation period has now ended and the results are being

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collated. Budget scrutiny meetings will take place between 3 February and 10 February and then first Cabinet and then Full Council will consider the proposals at its meeting on 26 February. The Council is to receive a further £401,000 from the Welsh Government (WG) following the final settlement in December 2014.

RESOLVED – That the report be noted.

47: GOVERNANCE AND RISK MANAGEMENT

Risks & Challenges – Strategic Planning, Highways and Traffic & Transport

The Chairperson welcomed Andrew Gregory, Director of Strategic Planning, Highways, Traffic & Transportation and Matt Wakelam, Operational Manager, Infrastructure and Operations.

The Director reported on how he is mitigating the two corporate risks for which he is the risk owner on the Corporate Risk Register, namely that relating to the Local Development Plan (LDP) and the risk of a Vehicle Borne Improvised Explosive Device (VBIED) being detonated in an area identified as a high risk crowded place within Cardiff.

Both prompted interesting discussion around the current position, regarding i) progress of the LDP, and in particular the delivery of the transport infrastructure and ii) funding and some technical issues with some security measures across the city centre.

It was emphasised that the Council is largely reliant on UK Government funding to extend current security measures to other areas in the city centre and priority for the Council was in maintaining the current arrangements in place.

Experience had shown from incidents in Glasgow and Oxford and some within our own city centre that there are real threats and it is important the Council continue to work in partnership with others e.g. the police, regarding the wider context of security issues within the city centre.

Members expressed concern that in relation to the risk from hostile vehicles the Council's strategy is not yet fully implemented and that this is because of lack of funding which is dependent on the priorities and strategy of central government.

It was agreed both risks are appropriately assessed as Red risks and required regular monitoring and action to mitigate the risks further.

The Committee then considered the Internal Audit Executive Summary Report on Highways Street Operations, which appeared as part of Appendix C to Annex 1 to the report for agenda item 8.1 – Quarter 3 Progress Update – Executive Summary Reports. The Chairperson reminded the Committee that Appendix C contained exempt information as defined in Section 100 (1) (1A) of, and paragraphs 14 and 21 of Schedule 12A to, the Local Government Act 1972. 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

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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. No members of the public and press were present.

The Committee noted that Internal Audit had carried out a follow-up audit on Highways Street Operations and that the overall audit opinion remained as "Limited Assurance". There was also concern at the delay in the Director responding to the audit report, where his personal view was being sought as a few recommendations had not been agreed by his senior managers.

The Director informed the Committee that he accepted the report and he was aware of the risks that have been identified and he was considering the best approach to how to tackle these. He confirmed that a review is currently underway and this will pick up all the issues that have been raised by Internal Audit. The Directorate had delayed its response until a proper procedure and process was put in place with assurances that the matters highlighted by the audit would be addressed. Three meetings with trade unions have been held and meetings with teams will be held over the next few weeks. Some issues are Council-wide and not just exclusive to Highways. The Directorate aims to prepare a report providing assurance that all the concerns highlighted in the audit report have been addressed.

The Chairperson advised the Director that the Committee expects a prompt response when recommendations are made by Internal Audit, and that particular urgency should be given to this when there is a Limited Assurance outcome. The Committee noted the Director's concern that on taking up his post he found that in the past issues had not been addressed quickly enough.

The Chairperson advised the Director that the Committee will expect to receive another report at its meeting in June 2015 providing provides assurance that either action has been taken to address the audit concerns or that there is a plan in place to do so.

Regarding Bridges and Structuring, the Chairperson noted that the Committee had been informed that a programme of monitoring structures was in place. Given the risk to highway users, the issue for the Committee was whether this is given sufficient priority. The Committee was advised that there is a six-yearly programme for the monitoring, inspection and maintenance of structures. Those structures that present the highest risk are dealt with at the start of the six-year cycle, before those presenting moderate and low risk. At the end of the six years, the programme begins again. The Directorate is bidding for capital project funding. A significant number of structures are the responsibility of Housing or Parks.

RESOLVED – That the Director of Strategic Planning, Highways and Traffic & Transport prepare a report, to be presented at the Audit Committee meeting in June 2015, addressing the audit concerns in the report that was presented to the Committee in January 2015. In producing the report, the Directorate is to engage with Internal Audit to ensure they are content all actions have been appropriately taken.

Senior Management Assurance Statements (SMAS)

These minutes are draft and are subject to approval as an accurate record at the next meeting of the Audit Committee to be held on 23 March 2015.

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For several years senior management have been asked to complete an Assurance Statement which is produced and reviewed by the Audit & Risk Manager. The statement feeds into the Annual Governance Statement (AGS) which forms a part of the Council's Statement of Accounts. The reason for this report was to provide the Committee with an opportunity to see an updated version of the Council's SMAS template for the financial period 2014/15.

The Audit & Risk Manager confirmed that he had reflected on previous comments raised by Members and strengthened certain aspects of the questions with the assurance statement e.g. that officers will be held to account for non-compliance. The intention was that the same approach was to be followed this year, with meetings to be held with each Director to review and test the evidence to support the view expressed within the statement. This would also help identify any significant issues which would help inform the Audit Plan for 2015-16.

The Chairperson invited comments from the Committee so that suggestions for further improvements to the template could be included.

RESOLVED – That amendments be made to the SMAS template in accordance with the Committee's comments. To be confirmed through the AGS 2014/15 item at the Committee's meeting in March 2015.

Audit Committee Annual Report

The purpose of this report was to seek the initial views of Members on the content of the Committee's Annual Report 2014/15.

The Chairperson invited comments from the Committee so that suggestions for amendments or inclusions could be considered by the Audit & Risk Manager.

RESOLVED – The views of the Committee to be taken into account in the Draft Annual Audit Committee Report 2014-15.

48: WALES AUDIT OFFICE (WAO)

The Chairperson welcomed Non Jenkins, WAO Local Government Manager (South East) Wales region and Ann-Marie Harkin, Financial Audit Director.

The WAO informed the Committee that its officers have met with a number of Members and Council officers and have attended the Challenge Forum. It is important for WAO to do this in order to improve its understanding of the Council, so that WAO gets not just a snapshot of the current situation but an idea of where the Council intends to go. WAO intends to carry out a survey of Members and officers to see how things have progressed since the WAO report of 2014. WAO will also be looking at how the Audit Committee will take forward ideas from its self-assessment exercise. WAO is to do some work with Estyn in relation to its monitoring visit. WAO has yet to decide how the next corporate assessment will be carried out. The date for this is unlikely to be announced until after

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Estyn has made its visit as the outcome of that may throw up some issues that WAO will need to take into account.

RESOLVED – That the report be noted along with the fact that WAO is making preparations for its next corporate assessment of the Council.

49: TREASURY MANAGEMENT

Performance Report

Appendix 1 to the report for agenda item 7.1 (Treasury Management – Performance Report) contained exempt information as defined in Section 100 (1) (1A) of, and paragraphs 14 and 21 of Schedule 12A to, the Local Government Act 1972. 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. No members of the public and press were present.

The Operational Manager, Capital & Treasury, presented this report, which focused on the position as at December 2014. The Committee was advised that the main change has been around reduced assumptions about borrowing. There has been very little change on investments and the forecast level of external borrowing at 31 March 2015 is £470 million. Some benchmarking with Welsh and comparable English cities would need to be done to find out how typical this level is for a local authority, although it was noted that such comparisons would need to be made with care given differences between local authorities.

RESOLVED – That benchmarking data for comparable core cities and advisory best practice on borrowing be provided to the Committee at its meeting in June 2015.

Treasury Strategy 2015-16

The reason for this report was to give the Committee the opportunity to note the proposed Treasury Management Strategy for 2015/16 and to provide comments. The proposed strategy for 2015/16 is required to be approved as part of the Budget Report to Council in February 2015.

The Operational Manager, Capital & Treasury, presented this report and informed the Committee that one of the main issues for local authorities in Wales is the buy-out from the Housing Revenue Account (HRA) subsidy system. It is likely that the Council will agree to pay circa £222 million to buy itself out of this system, subject to final settlement agreed between HM Treasury and WG. There are significant financial and non-financial benefits. The Council will have to undertake significant borrowing and there are significant risks, but the plan is still viable.

The Committee asked whether all eleven local authorities in Wales had now agreed to the buy-out from the HRA system and was advised that all eleven have agreed and that further discussions are to take place before the matter is referred back to WG.

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The Committee asked whether there is any update on discussion by WG and the Treasury about the possible opportunities for taking loans at concessionary rates which could result in greater financial benefit to the Council. The Committee was informed that soundings from the Treasury continue to be positive on this.

The Committee asked whether the figure for the net benefit to the HRA in the initial year of self financing, estimated at £1.7 million on a worst case basis, is likely to stay the same and was informed that the figure will be determined by whatever the interest rate is at 31 March 2015 and final settlement agreement between WG and Treasury.

In summary, the Chairperson noted that in discussion of the Treasury Management Strategy 2015 – 16 the main interest for the Committee had been the Council's requirement to undertake debt to exist the Housing Subsidy System and that the Committee had been assured that the net benefit to the local authority could be £1.7 million on a worst case basis, dependent on interest rates at 31 March 2015.

RESOLVED –

- 1) That the Committee receive a full report following the HRA buy-out, which is to include a summary of the main benefits and continuing risks.
- 2) That the presentation slides from the briefing that was given to Elected Members in November 2014 be circulated to Committee Members

50: INTERNAL AUDIT

Appendices C and E in Annex 1 to the report for agenda item 8.1 (Internal Audit Quarter 3 Progress Update) contained exempt information as defined in Section 100 (1) (1A) of, and paragraphs 14 and 21 of Schedule 12A to, the Local Government Act 1972. 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. No members of the public and press were present.

Quarter 3 Progress Update, including Executive Summary Reports

This report provided the Committee with information on audit reports issued during the last three months and with Executive Summaries for those on which a Limited Assurance opinion had been given. The report identifies some of the high risk areas for which audits will not be carried out before the end of the financial year and gave the reasons for this.

The Committee was advised that resources were stretched with a Senior Auditor leaving recently, and priority continued to be on targeting Red, high risk audits, of which there were around 50. The report presented information on current quarter assignments and provided

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an update on follow up audits, where it was noted some further visits had shown improvement.

The Committee asked if the Audit & Risk Manager could outline his major concerns. He advised the Committee that some schools continue to have a limited assurance opinion, although follow up visits were encouraging in reporting greater implementation of audit recommendations to enhance the control environment. A second tranche of schools are currently undergoing training in the use of Control Risk Self Assessment (CRSA) which is proving to be a valued way forward by all involved. There are still pressures in Children's Services, where two recent audits have provided limited assurance, Safeguarding Core Group and Child Health and Disability (CHAD). The former was a follow up with limited improvement noted and the Chair enquired whether there is sufficient concern to warrant a letter from the Audit Committee to the Chair of the Children and Young People Scrutiny Committee, as these are areas which present significant risks for the Council. He also felt the Executive summary reports presented to Committee proved useful in giving Members an idea of the issues and matters arising from audits being undertaken, and that it was right to highlight these for attention at meetings.

The Committee was concerned at the potential impact of the loss of the Senior Auditor – Computer Audit on planned IT audits and asked whether the team would be buying in expertise. Committee were advised that a number of such audits had been undertaken prior to the departure of the Senior Auditor and that the skills were available within the Section to complete and issue these. The post has been advertised and some discussion had been held with colleagues in the Vale of Glamorgan to look at the potential for some shared arrangements. It was not intended to buy in expertise at this time.

The Executive Summaries were discussed, with the Committee focusing particularly on a continuing Limited Assurance audit opinion for Safeguarding. The Committee noted that *'additional resources have been allocated....to alleviate the high caseloads of social workers'* and that *'the additional agency resources will remain ...until January 2015'*. The Committee queried whether arrangements have been put in place to cover the extra workload that could arise once the additional resources are no longer there. All Executive Summaries are considered at an informal meeting of the Cabinet.

Payroll overpayments are another area of concern, given the history of audits, and the Committee is to be provided with a further report on this once a management response has been received.

The Audit & Risk Manager advised the Committee that a concern was that directorates, although accepting the audit findings and recommendations to enhance internal control, are finding it increasingly difficult to set about implementing these due to a lack of resources with the level of cuts they currently have to find. Managers are aware of this and recognise the risks, but with further cuts to come, this is a situation that requires careful monitoring and where different models of service delivery will be required, but which will inevitably bring with it a new sets of risks.

RESOLVED – That the Chairperson write to the Chair of the Children and Young People Scrutiny Committee (with a copy to be sent to the Chief Executive, the Director of

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Children's Services and to the Cabinet Member for Early Years, Children and Families) raising concerns relating to the follow-up audit of Safeguarding and Review (Core Groups). The Executive Summary is to be attached to the letter and a response is to be received by March 2015 for consideration at the next meeting of the Audit Committee.

Value for Money Audits

The purpose of this report was to provide Members with an update on three value for money studies reported previously to Audit Committee, namely, agency spend, standby payments and home to office vehicle usage.

With regards the agency spend review the figures showed a significant reduction. The Audit and Risk Manager informed the Committee that efforts had clearly been taken to review agency arrangements to reduce the spend in this area, especially to target some relatively high earners. There is still a control issue relating to auto-approval of timesheets which the Audit & Risk Manager has flagged up with Directors. This will continue to be monitored.

On standby payments the Committee was informed that there had been little change in the cost and number of claimants receiving stand by payments. It is considered that through more 'joined up' working there are still opportunities to reduce what are some significant costs.

Regarding home to office vehicle usage Directors were going to be required to prepare a business case for all such travel. It was emphasised that clearly there will be good business reason for allowing vehicles to be taken home but it was important that this is properly considered and where this is not the case the vehicle is withdrawn and savings made. It was also noted that there may be a reporting issue regarding this usage, as some of the journeys made might be taxable, and there are potentially significant issues in relation to any accidents that occur during home to office journeys. Discussions will need to be held with trade unions.

The Audit and Risk Manager invited the Committee to suggest other areas into which it might be valuable to carry out value for money audits.

The Committee suggested that it would be helpful if it had an idea of what might be a reasonable spend on agency staff, and on the extent to which service areas differ in the use of agency staff. The Audit & Risk Manager agreed to investigate this.

The Committee felt that value for money audits are important as they may uncover issues that the local authority needs to confront, and that it might be useful to have a section on value for money audits in the Committee's annual report.

RESOLVED – That the Committee should receive a further briefing on agency spend to identify further potential savings. This report should also consider further savings in relation to standby allowances where spend was considered high.

51: OUTSTANDING ACTIONS

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There were no outstanding actions to report to the Committee.

52: WORK PROGRAMME UPDATE

The Committee noted that the £70 million figure for Commissioning is very high and suggested that consideration should be given to how the issue could be examined.

RESOLVED – That consideration be given to referring the issue of Commissioning to the appropriate Scrutiny Committee, following the agreed new protocol.

53: URGENT BUSINESS

There was no urgent business.

54: DATE OF NEXT MEETING

The next meeting will be held on 23 March 2015

The meeting closed at 4.15pm

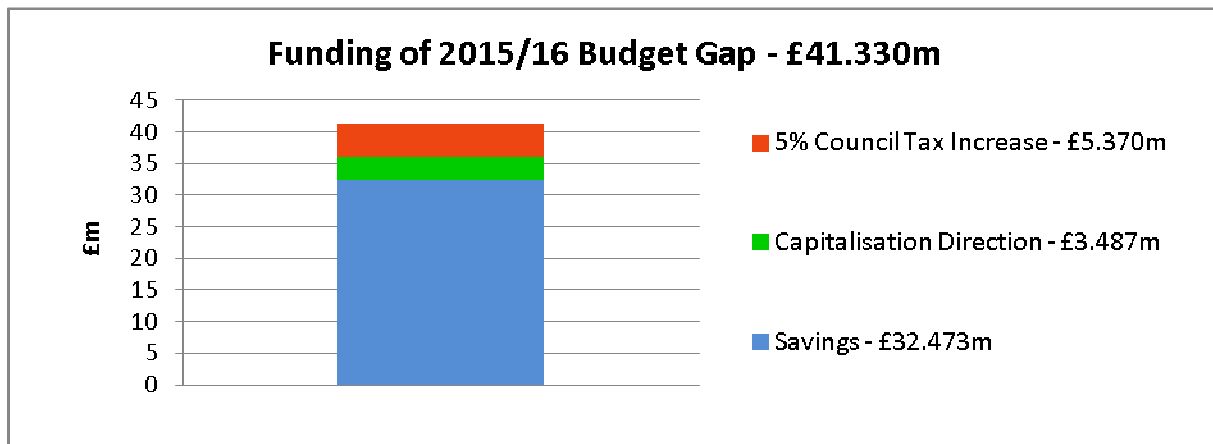
Signed _____
Chairperson

Date _____

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Has the 2015/16 Budget been finalised?

- Yes the 2015/16 budget was approved at Council on 26 February 2015
- The final budget gap was £41.330m, the gap was bridged through a combination of savings, a capitalisation direction and a 5% council tax increase as illustrated below.

**What is a capitalisation direction?**

- A capitalisation direction means that for one year, the Council has in principle permission to fund £3.5m of its revenue (day to day) running costs from capital receipts. Capital receipts are sums raised through the sale of Council assets which under regulations can only be used to fund capital expenditure (e.g. spend on constructing assets.) However, for 2015/16, the Council will be able to use them to fund certain types of day to day running costs, including statutory severance costs and costs of organisational change.

Why has the budget gap changed to £41.330m? In November when the savings went out to consultation I remember seeing a higher figure of £48.294m?

- Any type of forecasting requires updating as time moves on in order to ensure that figures reflect the most up to date information.
- The difference between the £48.294m from November 2014 and the £41.3m in February 2015 is the result of:-
 1. £1.123m additional funding. This is partly due to the fact that when Welsh Government confirmed the Council's final funding settlement in December 2014, it was fractionally better than that indicated in October 2014. It is also partly due to updates to the Council Tax Base. This is because the Council now anticipates generating some additional council tax income due to an increasing number of chargeable dwellings .
 2. £4.018m through the confirmed status of areas which had previously been assumptions including £2m from the impact of changes approved in relation to the Council's voluntary severance scheme, a cap of £1.018m on the amount of additional budget provided to schools and the identification of savings from reserves of £1 million.
 3. The remaining £1.823m is due to technical updates to figures to ensure they reflected the most up to date information including capital financing, insurance and pay awards.

Can I review further details of the Budget online? Where can I see all the savings?

- Yes you can view the Budget Report on line including a full list of savings, by going into the Council meetings sections of the website and reviewing the documents for the 27 February 2015 Council meeting.

- You should be aware when reviewing the Budget Report online that some amendments were made at the Council meeting. These are therefore not included in the body of Budget Report but are included in the meeting minutes

I heard that amendments were made to the Budget at Council – what were they?

- Three savings proposals were removed from the savings listing – these were in relation to day centres for older people, children’s play, and the Cardiff Alcohol and Drug Team
- These savings were removed on the basis that existing arrangements in these areas would continue to be funded until alternative arrangements have been put in place with those arrangements to be established at the earliest possible date.
- A further amendment was a reduction in the Youth Service saving from £1.1m to £0.85m. This was to allow for the further time for transition of the service and to ensure that current local facilities keep running as well as supporting street based and outreach working until new services are in place.
- The budget amendment also allowed for funding for each of the six Neighbourhood Partnership Areas to assist groups in the process of taking on services and also for three ‘Development Workers’ (to be funded by the Council but employed by a third party on 12 month contracts) to support community proposals in relation to Play Services.
- The above changes were funded by an increase to savings in respect of Central Enterprise Zone, discretionary overtime, capitalisation and a saving in relation to the reduction of standby payments.
- The budget amendment also proposed to continue funding branch library services until the end of the Council term, unless and until alternative delivery arrangements are operational and consequential amendments be made to the MTFP.

Did all directorates make a comparable level of saving?

- All directorates with the exception of schools made significant savings.
- As noted above, £32.473m are included in the 2015/16 budget. This equates to an average reduction of 14% on directorate budgets. However, this varies across directorates (from 6% to over 30%)
- The percentage cut varies across directorates because the ability to make savings is affected by issues such as increasing demand (e.g. the council faces significant demographic pressures in social care) and statutory duty (i.e. there are some things the Council has a duty to provide.)
- With regard to Schools, Welsh Government protection requirements meant that Schools’ budgets have not been cut for 2015/16. However, whilst schools budgets have not been **cut**, schools did not receive their full growth requirements for 2015/16 which were capped by £1.018m as noted above.

What is the impact on jobs?

- As part of the 2015/16 budget, posts will be lost in all directorates (with the exception of schools although individual schools may need to review their own staff structures on receipt of their budget information).
- Council-wide, it is estimated that just under 500 full time equivalent posts will be cut in connection with the budget.

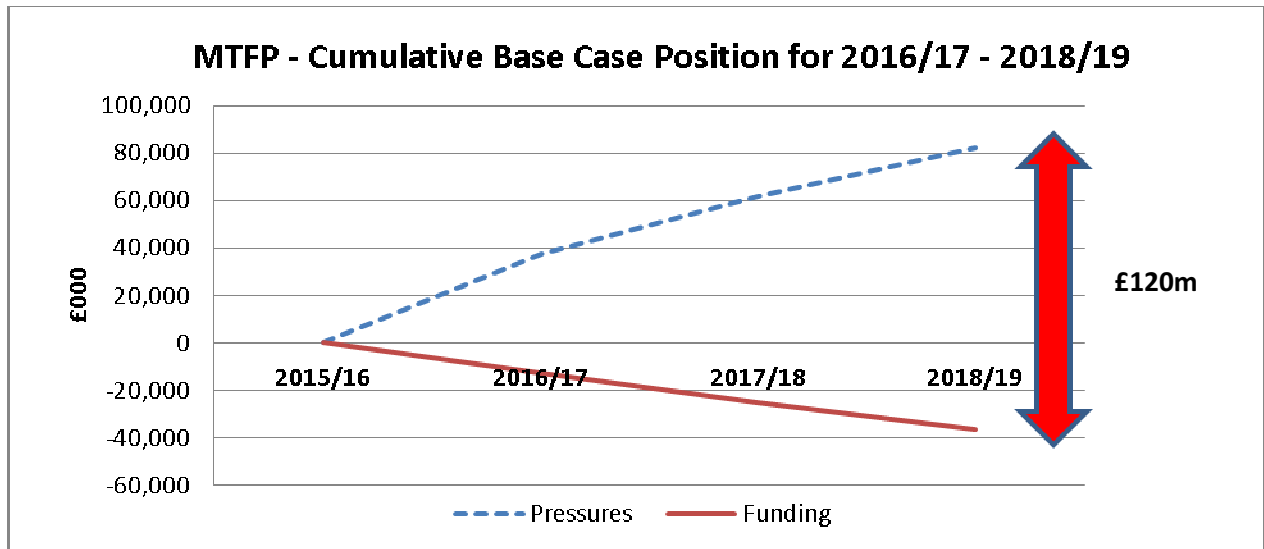
What about the future?

- The Council’s Medium Term Financial Plan identified a budget gap of £120m over the three year period 2016/17 – 2018/19
- The £120m is considered a base case scenario and is based on the Council receiving Welsh Government funding decreases of 3% each year
- Due to a number of uncertainties, including the forthcoming General Election, funding figures are not yet available for years beyond 2015/16 and so the 3% is an estimate

- If funding decreases are worse than this, the gap will widen. For example, if funding decreases are as much as 4.5% per annum (a figure that Welsh Government has mentioned in the past), the gap could increase to £149m

Why is the gap so big?

- The budget gap is made up of two main factors – significant reduction in funding and escalating pressures on services, put simply, the problem is one of less money and more demand as illustrated below



How will we balance the budget?

- Balancing the budget over the medium term will be extremely challenging, especially since the Council will have made cuts exceeding £200m over the ten year period from 2005/06 to 2015/16
- Given the scale of the gap, it is inevitable that in Cardiff, as across Wales, there will be both a reduction in service delivery and a requirement to consider alternative delivery models. The task is made more difficult because the Council is only able to direct cuts at approximately 40% of its overall budget (called its controllable savings budget.)
- The 60% that the Council is not able to cut includes the £200m Schools budget which is the subject of Welsh Government protection, the £17m levies budget which is externally determined, the £29m budget to pay council tax support to eligible recipients and the £35m budget to support capital financing obligations.
- Cuts are therefore even steeper because they are focussed on just 40% of the Council's overall budget, some areas of which are themselves subject to escalating demand (social care) or are statutory functions

What Next?

- The 2015/16 Budget Report included the identification of a number of savings opportunities in relation to later years. These opportunities will need to be progressed within stringent timescales however, they are significantly short of the full gap.
- Work will need to begin immediately on the Budget Strategy Report 2016/17 and the Medium Term which will be subject to approval in July 2015.
- The policies, budget assumptions and tools that underpin the Budget Strategy will be critical in moving the Council forward on a financially sustainable basis and ongoing monitoring of the Council's financial resilience will be key.
- Within these financially challenging conditions delivery of the savings identified in 2015/16 will be key and directorates should ensure that milestones for delivery are clearly mapped so that realisation of savings can be effectively reported into the budget monitoring process.

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AUDIT COMMITTEE: 23 MARCH 2015

ACCOUNTING POLICIES UPDATE

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 4.2

Reason for this Report

1. To provide Audit Committee Members with an update on changes to accounting policies included in the 2014/15 CIPFA Code of Practice and potential impact for the Councils statement of accounts. It will also highlight future Code updates that are likely to have a significant impact on the accounts.

Background

2. The Code of Practice is based on International Financial Reporting Standards (IFRSs), and is developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.
3. The Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing before 1 January 2014. This is with the exception of IFRS 13 *Fair Value Measurement* which has been deferred until the 2015/16 code while it reviews its application of the standard for local government circumstances.
4. There are a number of changes in the Code that will have little or no effect on the Council's statement of accounts. This report will focus on the key accounting changes to the Code which will have an impact on the Councils accounts.

Accounting for schools in local authorities

5. One of the main consultations on the 2014/15 Code by CIPFA/LASAAC was in relation to the accounting treatment for schools in local authorities in England and Wales.
6. The consultation looked at the issue around the accounting standard IFRS 10 and the indicators of control. It confirmed that for local authority maintained schools the balance of control lies with the local authority and schools' transactions are to be recognised in the local authority single entity accounts. Local authority maintained schools are currently included in the accounts therefore there is no change required.

7. The main issue that arose was in relation to accounting for the schools non-current assets, such as buildings, and those specifically held by Voluntary Aided and Voluntary Controlled (VA/VC) schools. Recognition of non current assets depends on whether schools as entities control the asset. Currently the Council has does not include assets of VA/VC schools on its balance sheet where it is deemed that we have no control over admissions policy or where there is a ministerial direction that property is to be transferred to the governors of a school.
8. Following advice from CIPFA and subsequent challenges of that advice from Grant Thornton, CIPFA have reiterated their view that assets owned by religious bodies are not controlled by schools and therefore should not be recognised in the local authority single entity accounts.
9. Wales Audit Office (WAO) has indicated that they agree with CIPFA's view and do not expect non current assets owned by VA/VC schools to be recognised on the balance sheet.
10. Currently most VA/VC schools and Whitchurch High School (foundation school) are not recognised on the Council balance sheet. We are currently undertaking a review of the current and required ownership and control of these assets to ascertain the status for their recognition in the 2014/15 accounts and to ensure presentation on consistent basis.
11. The review of ownership will determine whether a number of these schools assets may need to be brought onto the Councils balance sheet; this will be clarified in the coming months.

Group Accounts

12. The 2014/15 Code includes the introduction of the requirements of five new or amended standards relating to Group Accounts. These are IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Ventures*, IFRS 12 *Disclosures of Interest in Other Entities*, IAS 27 *Separate Financial Statements* and IFRS 28 *Investments in Associates and Joint Ventures*.
13. Following a review of authority's interests in other entities and the current Group Accounts assessment it is unlikely there will be a change to the current arrangements and therefore no impact on the accounting in the statement of accounts. This position will remain under review particularly given the current initiatives in respect of considering forms of alternative service delivery.

Forthcoming changes to the Code

14. The 2014/15 Code includes confirmation of changes to forthcoming editions of the Code, these include the application of IFRS 13 *Fair Value Measurement* and the adoption of the measurement requirement of the *Code of Practice on Transport Infrastructure Assets* in the 2016/17 Code. These changes are likely to require significant additional workload on the part of the local authority finance function and directorates at a time of significant financial pressures. Consideration of the cost and benefit of all changes will need to be undertaken as part of implementation particularly in respect of the materiality of the impact of the requirements

IFRS 13 Fair Value Measurement

15. The main change impacting on the 2015/16 accounts is the application of IFRS 13 *Fair Value Measurement* of property, plant and equipment in local government. CIPFA/LASAAC deferred adoption of IFRS 13 to the 2015/16 financial year to allow time to review the concepts which underpin its measurement requirements and their relevance in the public sector.
16. CIPFA/LASAAC are of the view that the definition of fair value in IFRS 13 is not the most appropriate measurement base for operational property, plant and equipment in the public sector. Service potential is of primary interest when managing public sector assets therefore the measurement of Current Value will continue for operational assets.
17. Surplus assets however will be measured for their economic benefits at Fair Value, which is a move away from the 2014/15 code. Whilst the current code requires surplus assets to be valued at what is called 'Existing Use' and requires such assets to be depreciated, the Council as stated in its accounting policies does not do so. This is to ensure that this category of surplus assets is valued and presented on a consistent basis, and is more meaningful and understandable to the reader. The Code is likely to change in 2015/16 to a measurement of fair value which is consistent with the Council's current approach.

Transport Infrastructure Assets

18. Although the change in measurement of Transport Infrastructure Assets will not be implemented until the 2016/17 Code, there will be a significant impact on the balance sheet and comprehensive income & expenditure (CI&E) accounts and therefore it is important that those responsible for governance are made aware of the changes and its potential impact.
19. For highways infrastructure (such as, carriageways, footways, bridges, tunnels, street lighting, traffic management systems etc.) they will need to be measured at Depreciated Replacement Cost (DRC) rather than Depreciated Historic Cost (DHC) and they will also be a disclosed as a separate class of asset on the balance sheet. The move to DRC will have a major impact on the balance sheet and there will be increased depreciation charges to the CI&E.
20. There are a number of reasons for the change to DRC, these include:
 - Whole of Government Accounts – deemed that nationwide assets were understated by over £200 billion largely due to the valuation of infrastructure assets.
 - Leads to better financial and asset management.
 - Better reflects cost of replacing an asset in its current condition.
 - More realistic than Historic Cost which is extremely dated.
 - Consistent with the key principles of the Infrastructure Code.
21. For the 2016/17 accounts there will be the need to have full retrospective restatement of 2015/16 figures, so there is a vast amount of work to be completed in 2015/16 to ensure that the disclosures are available for the 2015/16 accounts and full implementation in 2016/17. To take this forward given it is a significant

change Finance Officers would have to work closely with directorates, to review asset information, and systems. Additional resource would need to be allocated to implement any such changes if required and work undertaken with WAO to ensure the requirements can be managed having cost / benefit in mind.

Reasons for Recommendations

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

Legal Implications

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

The Committee is reminded of its statutory functions, which are to:

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

Financial Implications

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

Recommendations

25. That the update in respect of accounting policies be noted.

**CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
11 MARCH 2015**

**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**

AUDIT COMMITTEE: 23 MARCH 2015

AUDIT COMMITTEE SELF ASSESSMENT 2015

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 5.2

Reason for Report

1. On 19 January 2015 the Audit Committee undertook a Self Assessment Workshop in a closed session, prior to the public meeting of the Committee. The outcome of which is appended to this report for Members of the Committee to consider and agree an action plan of proposed improvements.

Background

2. Audit Committees have evolved with each stage of their development influenced by the findings and recommendations of a succession of high profile, private and public sector reviews. These have been commissioned over recent years and have significantly advanced the concepts of internal control and corporate governance and promoted the growth and prominence of Audit Committees, focused on reviewing the effectiveness of governance, risk management and internal control arrangements.
3. The Local Government (Wales) Measure 2011 requires all Local Authorities to have an Audit Committee. The Council's former Audit Panel become a formal Committee in May 2012.
4. The Audit Committee undertook their first self assessment in December 2013. The exercise was considered timely given that the Committee had been in place for just over 12 months. Future assessments were considered appropriate to take place in January so to feed into the Committee's Annual Report. The Self Assessment Framework was produced based on best practice guidance from CIPFA, the requirements of the Local Government Measure and local knowledge of the Council. The workshop was facilitated by Wales Audit Office and the Audit & Risk Manager; both the Corporate Director Resources (Section 151 Officer) and the County Clerk & Monitoring Officer were in attendance.

Issues

5. At the workshop Members of the Committee went through the Self Assessment exercise, the outcome of which can be referred to at Appendix A. The Self Assessment Questionnaire was made up of 46 questions and Members were given the option of answering yes, no or partly to each question. All questions were answered, the majority of questions were answered with yes and a small minority with

partly. The questionnaire itself was used to show the evidence thought appropriate to support the response for each question.

6. Following completion of the assessment questionnaire an action plan was produced and incorporated into Appendix A; seventeen proposed actions for improvement were identified for the Committee to consider. These improvements aim to address the questions within the assessment which could only be answered partly.
7. The Audit Committee will need to be satisfied with the proposed improvement actions and if so agree appropriate timescales to take them forward.
8. The workshop provided an opportunity for Members to consider and challenge the Committee's role, against best practice evaluation criteria and this prompted much discussion. Overall the outcome provided a great deal of assurance around the role of the Audit Committee and evidence to support this view and also provided some ideas where improvements can be considered going forward.
9. Members and Officers considered that the exercise had been very helpful and it was agreed that it would continue to be an annual exercise, which can be used to inform the Audit Committee's Annual Report.

Legal Implications

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

Financial Implications

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

Recommendation

12. The Committee should consider the findings of the Audit Committee's Self Assessment exercise, summarised at Appendix A. Should the Committee be content with the proposed improvement actions, to agree the deadlines associated with implementing the improvement actions.

CHRISTINE SALTER CORPORATE DIRECTOR RESOURCES

The following Appendix is attached:

Appendix A – Audit Committee Self Assessment

Background Paper:

Report to Council, on 19 December 2013, Democratic Services Committee Proposal – Wales Charter for Member Support and Development

Audit Committee Self-Assessment (2015)

Measuring the Effectiveness of the Audit Committee

Issue		Yes	No	Partly	Comment	Future Considerations / Proposed Improvement Actions
Roles and Responsibilities						
1	Have the Committee's Terms of Reference been approved by Full Council?	✓			The Terms of Reference is reviewed annually and will next be reviewed prior to Annual Council in May 2015.	
2	Do the Terms of Reference follow best practice, as set out in the CIPFA model and the Local Government Measure 2011?	✓			The TOR is based on the CIPFA model and the Local Government Measure covering all key requirements.	
3	Is the Terms of Reference reviewed periodically to ensure it remains fit for purpose?			✓	A review is undertaken annually when Committee Membership is set at Full Council.	<u>Review of Terms of Reference</u> A review to be undertaken prior to Annual Council May 2015.
4	Does the agenda for meetings and work programme support the role and responsibilities of the Committee?	✓			<p>The Audit Committee Agenda has standard headings e.g. Internal Audit, Risk & Governance. Members of the Committee have opportunity to raise issues.</p> <p>Members are aware of their ability to call a Task and Finish Group which would allow a matter to be dealt with out side of the full Committee.</p> <p>Members felt that the Audit Committee should focus on strategic matters and not to be concerned with overly detailed information.</p> <p>Members noted that although the agenda supports the Work Programme there are often large volumes of paper associated with each agenda item. It can be difficult for Members to digest prior to the meeting given other demands. Possible consideration of summary overviews.</p>	<p><u>Information Items</u> Items for information can lead to agenda items falling behind, therefore items for information to be taken off the Agenda and distributed for information only.</p> <p>Any ongoing actions to be reviewed and where appropriate to be reported, in brief, under Outstanding Actions (for information only.)</p>

	Issue	Yes	No	Partly	Comment	Future Considerations / Proposed Improvement Actions
Page 22	<p>5 Does the Committee take a role in reviewing and scrutinising:</p> <ul style="list-style-type: none"> • Annual Governance matters • Risk Management Strategies • Internal Control Statements • Anti-Fraud arrangements • Corporate Policies and Strategies • Financial Affairs and Statements • External & Internal Audit Reports 	✓			<p><u>Annual Governance Statement</u> The Audit Committee have opportunity to scrutinise the statement e.g. the 2013/14 statement was presented to March and June meetings. Members challenged the content and provided an opinion for inclusion in the statement.</p> <p><u>Risk Management</u> The Corporate Risk Register is considered biannually by the Committee with opportunity to scrutinise and comment upon.</p> <p>The Audit Committee have opportunity to scrutinise the Risk Management Strategy when reviewed by Officers.</p> <p><u>Internal Control Statements</u> The Committee receive updates on the Senior Management Assurance Statement e.g. January 2015. External and Internal Audit Reports provide information on internal controls.</p> <p><u>Anti Fraud Arrangements</u> Audit Committee scrutinise and approve any Fraud related documents e.g. Anti-Money Laundering Policy.</p> <p><u>Corporate Policies and Strategies</u> Audit Committee receive reports on new corporate policies e.g. The Attendance & Wellbeing Policy. Policy Review and Performance Scrutiny will have greater involvement in this area.</p> <p><u>Financial Affairs and Statements</u> The Committee receive a Budget update at every meeting. Financial Statements are scrutinised and</p>	<p><u>Assurance Summary</u> The Audit Committee annually are presented with an Assurance Summary of the key governance issues and corporate risks. The Committee will continue to receive this summary annually to provide a level of assurance against the Committee's Work Programme.</p> <p><u>Chairperson's Letters</u> There have been instances where issues have been reported to the Committee on more than one occasion, where action has not been taken. In order to escalate these matters the Chair will in future write to the Chief Executive, relevant Cabinet Member or relevant Scrutiny Chair if the Director cannot provide a resolution.</p>

Issue	Yes	No	Partly	Comment	Future Considerations / Proposed Improvement Actions
				<p>challenged by Committee.</p> <p><u>External & Internal Audit Reports</u> Regular reports from both Internal and External Audit update the Committee on a range of matters i.e. Value for Money.</p>	
<p>6</p> <p>Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work.</p>			<p>✓</p>	<p>Wales Audit Office provides informal feedback at Committee meetings and formally through improvement reports e.g. Corporate Assessment September 2014.</p> <p>The Committee's Annual Report is presented to Council to provide an update on the work of the Committee. The Chair attends to present the report and answer questions.</p> <p>There is little engagement with Members regarding the work of the Audit Committee except for the Annual Report to Council once a year.</p>	<p>The profile of the Committee with other Members could be strengthened.</p> <p><u>Circulation of Work Programme</u> The Committee's Work Programme is to be published more widely amongst elected Members similar to Scrutiny.</p> <p><u>Engagement with Members</u> To benefit the independent Members an item to be included on each agenda which can be used for elected members to bring any matters of interest to the independent Members.</p> <p><u>Members Newsletter</u> The newsletter circulated to elected Members to be distributed to the Independent Members.</p>
Monitoring and Oversight					
<p>7</p> <p>Does the Committee consider that it receives adequate and timely information in relation to:</p>	<p>✓</p>			<p>In advance of each meeting the Committee receive information 5 working days in advance of the meeting.</p>	

Issue	Yes	No	Partly	Comment	Future Considerations / Proposed Improvement Actions
<ul style="list-style-type: none"> • Corporate Governance • Risk Management • Internal Control • Treasury Management • Financial Affairs and Statements 				As above the Committee receive regular reports with opportunity to scrutinise and challenge and refer on to other Committees or Bodies.	
<p>8 Does the Committee consider that it received appropriate support from:</p> <ul style="list-style-type: none"> • Statutory Officers • Senior management • External Audit • Internal Audit • Secretariat services 	✓			<p>Section 151 Officer and Monitoring Officer attends every meeting. Senior Management attend on request. There are many examples of this with wide ranging subject matters covered. The Wales Audit Office (WAO) are represented at every meeting. The Audit Manager attends every meeting. Democratic Services administer and attend Committee providing secretariat support.</p> <p>The Committee valued the time of the Leader and Chief Executive attending the December 2014 meeting of the Committee to set the context of the strategic direction of the Council in response to the Corporate Assessment through the Organisational Development Plan.</p>	<p><u>Chief Executive Attendance</u> The Committee would appreciate if the Chief Executive would attend the Audit Committee on an annual basis to provide an update on the progress of the Organisational Development Plan and the strategic direction of the Council.</p> <p><u>Monitoring Officer</u> The Monitoring Officer to attend Audit Committee when the Annual Governance Statement is considered.</p>
<p>9 Does the Committee consider it has the opportunity to invite officers and members to attend and be held accountable for their actions?</p>	✓			<p>Criteria relating to officer attendance was approved at 27 March 2013 Committee. With a wide ranging agenda a number of varying officers attend Committee meetings e.g. to report on operational issues.</p>	
<p>10 Has the Committee agreed set criteria when an officer may be invited to attend Committee?</p>	✓			As noted above.	
<p>11 Does the Committee consider they have the mechanisms to ensure that</p>	✓			Members are updated through External and Internal Audit progress reports.	

Issue	Yes	No	Partly	Comment	Future Considerations / Proposed Improvement Actions
officers are acting on and monitoring action taken to implement recommendations?				The Committee have the ability to invite officers to attend to provide further information if required.	
12 Does the Committee consider that they have the opportunity to refer matters on to other bodies (internal & external) as they consider appropriate?	✓			<p>This requirement is covered in the Committee's Terms of Reference and has happened previously e.g. the Chair has sent letters to Policy Review and Performance Scrutiny and the Chief Executive.</p> <p>The Chair welcomes suggestions from Members of the Committee on where to refer matters of concern (local knowledge of elected members) i.e. Scrutiny.</p> <p>The Section 151 Officer and Monitoring Officer attend all Audit Committee meetings and advises the Chair where he can refer matters of concern.</p>	
Page 25 Does the Committee have appropriate interaction with other Committees e.g. Scrutiny?			✓	<p>Some Members of the Committee serve on both Committees. Further scope for discussion between Audit Committee and Scrutiny Committees.</p> <p>Each Committee shares their minutes. In future Scrutiny Work Programmes to be shared with Audit Committee Members.</p> <p>There have been instances where the work of the Committee has overlapped with the work of Scrutiny Committees e.g. Attendance & Wellbeing Policy and the Personal Performance and Development Scheme.</p>	<p>Review and seek greater opportunity to interface with Scrutiny, particularly Policy Review and Performance Scrutiny.</p> <p><u>Work Programmes</u> In future Scrutiny work programmes to be shared with Audit Committee Members and used to inform Audit Committee work programme to avoid duplication.</p> <p><u>Scrutiny Chairs Annual Meeting</u> Annually a meeting to be held with all Scrutiny Chairs and the Chair of Audit Committee to identify common areas of work to avoid duplication.</p>

Issue	Yes	No	Partly	Comment	Future Considerations / Proposed Improvement Actions
					<u>Audit Committee & Scrutiny Protocol</u> In order to address the issue of items being considered by Scrutiny overlapping with Audit Committee a Protocol is to be put in place.
14	✓			Annually presented to Council e.g. July 2014.	
15 Page 26	✓			The Audit Committee's first Self Assessment exercise was undertaken in December 2013. It was agreed that an annual self assessment take place in future years. The current assessment being the second. Holding the assessment in January feeds into the process of forming the Committee's Annual Report.	<u>Self Assessment</u> Continue to hold the assessment on an annual basis.
16	✓			The Committee's Annual Report is presented to Council; last presented July 2014. Members did not think there were arrangements to hold the Audit Committee to account aside from the Annual Report to Council. The Audit Committee is a deterrent which helps to ensure timely responses and actioning of audit recommendations. Cabinet members now receive copies of Internal Audit Executive Summary Reports with opinions of Limited or No Assurance.	

Issue	Yes	No	Partly	Comment	Future Considerations / Proposed Improvement Actions
17 Members of the Committee have regard to the Seven Principles of Public Life, known as the Nolan Principles: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.	✓				
18 The Audit Committee is committed to the Council's Vision and Values: Vision - To be Europe's most liveable Capital City Co-operative Values - We Are Cardiff – Open, Fair & Together	✓				
Internal Audit Process					
27 Does the Committee approve the strategic audit approach and the annual programme?	✓			Presented annually to March meeting of the Committee. The impact of the financial pressures facing the Council will have an impact on staff resources within the Internal Audit team, which in the longer term could have a detrimental affect on internal controls.	<u>Internal Audit Resource</u> The impact of reducing resources within the Internal Audit Team to be highlighted in the Audit Committee's Annual Report.
20 Is the work of Internal Audit reviewed regularly?	✓			A Quarterly Progress Report is presented to Committee with an opportunity for questions to be answered by the Audit Manager.	
21 Is the level of detail provided in Audit progress summaries adequate to meet Member's needs?	✓			Information provided includes a list of all Audits, Executive Summary Reports for those with opinions of Limited or No Assurance and Key Performance Statistics. Members found the Executive Summary Reports	

Issue		Yes	No	Partly	Comment	Future Considerations / Proposed Improvement Actions
					helpful and were encouraged that these were being shared with Cabinet Members.	
22	Does the Committee receive regular information on client perceptions of the Internal Audit service and other performance management information?	✓			Quarterly Progress Reports contain information on completed Quality Assurance Questionnaires and Key Performance Statistics.	
23	Is the Annual Report from the Audit Manager presented to the Committee?	✓			Annually, last reported 20th May 2013	
24	Is there the opportunity to hold private meetings with the Audit Manager?	✓			<p>There have been occasions where the Chair and Audit Manager have met and do converse relating to future Agendas.</p> <p>Financial Procedure Rules provide opportunity for the Audit Manager to meet with the Chief Executive, Senior Managers or Members as considered appropriate.</p>	<p><u>Meeting with Audit Manager</u> A formal arrangement will be offered to Members of the Committee to meet with the Audit Manager on an individual basis.</p> <p>(See question 27)</p>
External Audit Process						
25	Are reports on the work of external audit and other inspection agencies presented to the Committee?	✓			<p>WAO provide regular updates to the Committee through standing agenda items.</p> <p>Reports from other inspection agencies will be sighted if applicable however the Committee focuses on work areas within their remit and not the scope of other committees such as Scrutiny who will receive the majority of other inspection agency reports i.e. Estyn, CCSIW.</p>	<p>Looking ahead Members thought they needed to consider and develop ideas around their input to areas of collaboration.</p> <p>Members questioned whether this was their role or Scrutiny?</p>
26	Does the Committee consider that they have the opportunity to input into the external audit programme?			✓	WAO is represented at each meeting and consider any comments of the Committee relating to their programme of work.	The Audit Committee's ability to have the opportunity to input into the external audit programme, particularly 'All

Issue		Yes	No	Partly	Comment	Future Considerations / Proposed Improvement Actions
					An element of the Wales Audit Office work programme refers to 'All Wales Studies' which can pose a problem when the Committee wish to influence the work undertaken.	Wales' studies has already been raised at previous meetings. Members asked WAO to consider how they could add more value to the Audit Committee in future.
27	Is there the opportunity to hold private meetings with the External Auditor?	✓			The opportunity exists but has not been required.	<u>Meeting with Audit Manager</u> A formal arrangement will be offered to Members of the Committee to meet with the External Auditors (See question 24)
Membership						
28	Has the membership of the Committee been formally agreed and a quorum set?	✓			Yes, annually, agreed at Annual Council.	
29	Is the make up of the Committee consistent with the requirements of the Local Government Measure 2011?	✓			Yes, annually, agreed at Annual Council. <u>The Measure requires the Committee to appoint their own Chair, which takes place following Annual Council.</u>	<u>Vice Chair</u> It was agreed that a Vice Chair should be nominated by the Committee for the municipal year and to act in the absence of the Chair.
30	Is the Chair free of Executive or Scrutiny functions?	✓			Currently Independent / Lay Member elected as Chair.	
31	Does the Chair have strong level of leadership skills?	✓			Extensive experience.	

Issue		Yes	No	Partly	Comment	Future Considerations / Proposed Improvement Actions
32	Are Members sufficiently independent of the other key Committees of the Council?	✓			The Committee has 4 lay Member seats; one has been elected by the Committee as Chair. Some Elected Members serve on Scrutiny Committees and Democratic Services Committee.	
33	Is the Committee politically balanced in accordance with the Local Government (Democracy) (Wales) Act 2013?	✓			Yes, annually, agreed at Annual Council.	
Meetings						
34	Does the Committee meet regularly?	✓			The Committee meet 5 times a year.	
35	Is the frequency of meetings adequate to support the role and responsibly of the Committee?	✓			Committee meetings have busy agendas. Key information is circulated in between meetings.	
36	Are agenda papers circulated in advance of meetings to allow adequate preparation by Members?	✓			5 working days in advance of the meetings. Meeting papers continue to be lengthy.	<u>Meeting Papers</u> (See response to question 4) It was suggested that where Members of the Committee have any issues with meeting papers / volume etc. to be reported back to the Chair.
37	Are meetings free and open without political influences being displayed?	✓			The Chair is an independent member, with experience to lead the questioning of the Committee without political influence.	
38	Are meetings public and records relating to the Committee open, transparent and easily available?	✓			All meetings are open to the public, some information will be exempt from the public as defined in the Local Government Act 1972. Agendas and Minutes are available on the Council's website.	

Issue		Yes	No	Partly	Comment	Future Considerations / Proposed Improvement Actions
39	Do Members feel they can actively contribute to discussion at meetings and are encouraged to do so?	✓			Chair encourages discussion. Standing item on the agenda for urgent issues to be raised by Members.	
40	Are decisions reached promptly and recorded?	✓			The Chair will sum up discussions and decisions made which will be incorporated into the minutes.	
Skills and training						
Page 31	41	Has the membership of the committee been assessed against a knowledge and skills framework and found to be satisfactory.		✓	A recruitment process is followed for independent / lay members taking account of knowledge and skills. An all Wales group has been established for Local Authority Audit Committee Chairs to meet once or twice a year.	<u>Individual Self Assessment</u> The Committee Members may wish to undertake a personal self assessment in context with the role of an Audit Committee Member which may identify gaps in knowledge and areas where training can be arranged. The suggested framework was presented to <u>Council in December 2013</u> : The Wales Charter for Member Support and Development: An Introduction for Authorities. Specifically the role of a Member of an Audit Committee.
	42	Do Committee Members have the knowledge, experience and understanding of the key risks and issues facing the Council?	✓		Serving Councillors have a vast knowledge of Council business. Regular briefings at meetings provide information to inform Members on key governance and risk matters i.e. Corporate Risk Register & Annual Governance Statement.	

Issue		Yes	No	Partly	Comment	Future Considerations / Proposed Improvement Actions
43	Is induction training provided to Members?	✓			Induction training provided to all Members on Audit, Risk Management, Governance and specialist areas such as Treasury Management.	
44	Is more advanced training available if required?	✓			Officers will arrange further advanced training for Members on request. Key updates on treasury management reported to the Committee.	Members thought there may be a need for training on collaborative working and what this will mean for the Audit Committee in the future i.e. joint arrangements.
45	In specialised areas such as treasury management do Members feel they have the appropriate skills to fulfil the role expected of them?	✓			Professional training provided by Council Officers and External Sector Advisors (Treasury Management). There is the intention to provide further advanced training in this area. Elected Members considered it important that there are a small number of Members on the Committee with the knowledge to deal with these agenda items, particularly the expertise of the independent Members.	Further training to be provided on Treasury Management – Officers to arrange. The Committee stressed the importance of having sufficient opportunity to consider and challenge the Financial Statements of the Authority. Arrangements are in place to schedule meetings to facilitate the challenge of the Financial Statements 2013/14.
46	Do Members feel they can request training if they consider this would help them fulfil their role?	✓			Members are able to request training as and when they wish. Officers are willing to arrange varying forms of training e.g. in groups or one to one sessions.	

Self Assessment: Proposed Improvement Actions (2015)

Ref.	Proposed Improvement Actions	Target Date	Action Owner
	Roles & Responsibilities		
1.	<u>Audit Committee Terms of Reference</u> Officers to undertake a review of the Committee's Terms of Reference prior to Annual Council in May 2015 to ensure fit for purpose and in line with current best practice.	May 2015	Audit & Risk Manager
2.	<u>Volume of Meeting Papers</u> Members noted that although the agenda supports the Work Programme there are often large volumes of paper associated with each agenda item. It can be difficult for Members to digest prior to the meeting given other demands. Officers to be reminded that the information put in front of Members to be relevant and concise and not overly detailed. Where Members of the Committee have concerns over such matters to report to the Committee Chair.	Ongoing	Corporate Director Resources & Audit & Risk Manager
Page 334	<u>Information Items</u> Items for information to be taken off the Agenda and distributed for information only. Any ongoing actions to be reviewed and where appropriate to be reported, in brief, under Outstanding Actions (for information only.)	Ongoing	Audit & Risk Manager
	<u>Assurance Summary</u> The Audit Committee annually are presented with an Assurance Summary of the key governance issues and corporate risks. Members of the Committee to continue to receive this summary annually to provide a level of assurance against the Committee's Work Programme.	Annually	Audit & Risk Manager
	<u>Circulation of Work Programme</u> The Committee's Work Programme is to be published more widely amongst elected Members similar to Scrutiny.	Ongoing	Democratic Services
6.	<u>Audit Committee & Scrutiny Committees</u> In order to address the issue of items being considered by Scrutiny overlapping with Audit Committee a protocol is to be developed by officers. In order to support this notion the Audit Committee Chair would consider it beneficial to meet with the Scrutiny Chairs on an annual basis. In future, Scrutiny work programmes to be shared with Audit Committee Members and used to inform Audit Committee work programme to avoid duplication.	Ongoing	Secretariat

Ref.	Proposed Improvement Actions	Target Date	Action Owner
7.	<u>Chairperson's Letters</u> There have been instances where issues have been reported to the Committee on more than one occasion, where action has not been taken. In order to escalate these matters the Chair will in future write to the Chief Executive, relevant Cabinet Member or relevant Scrutiny Chair if the Director cannot provide a resolution.	Ongoing	Chair
8.	<u>Independent Members</u> Engagement with Members - To benefit the independent Members an item to be included on each agenda which can be used for elected members to bring any matters of interest to the independent Members. Members Newsletter - The newsletter circulated to elected Members to be distributed to the Independent Members.	Ongoing	Democratic Services
Monitoring & Oversight			
Page 34	<u>Internal Audit Resource</u> The impact of reducing resources within the Internal Audit Team to be highlighted in the Audit Committee's Annual Report.	March 2015	Chair Audit & Risk Manager
10.	<u>Chief Executive Attendance</u> The Committee would appreciate if the Chief Executive would attend the Audit Committee on an annual basis to provide an update on the progress of the Organisational Development Plan and the strategic direction of the Council.	December 2015	Corporate Director Resources, Secretariat & Chief Executive
11.	<u>Monitoring Officer</u> The Monitoring Officer to attend Audit Committee when the Annual Governance Statement is considered.	In accordance with the Work Programme	County Clerk
12.	<u>Audit Committee Self Assessment</u> The assessment exercise to be held on an annual basis.	January 2016	Audit & Risk Manager
Internal & External Audit Process			
13.	<u>Meeting with Audit Manager</u> A formal arrangement will be offered to Members of the Committee to meet with the Internal Audit Manager and External Auditors on an individual basis.	Commencing June 2015	Secretariat & Audit & Risk Manager & Wales Audit Office

Ref.	Proposed Improvement Actions	Target Date	Action Owner
14.	<u>Wales Audit Office</u> External Auditors to be represented at all meetings.	Ongoing	Wales Audit Office
	Membership		
15.	<u>Vice Chair</u> It was agreed that a Vice Chair should be nominated by the Committee for the municipal year and to act in the absence of the Chair.	June 2015	Audit Committee
	Meetings		
16.	No matters to report		
	Skills & Training		
Page 35	<u>Individual Self Assessment</u> The Committee Members may wish to undertake a personal self assessment in context with the role of an Audit Committee Member which may identify gaps in knowledge and areas where training can be arranged. The suggested framework was presented to Council in December 2013 : The Wales Charter for Member Support and Development: An Introduction for Authorities. Specifically the role of a Member of an Audit Committee.	-	Chairperson, Secretariat, Corporate Director Resources & Audit & Risk Manager

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DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15

REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 5.3

Reason for Report

1. The Council is required to produce an Annual Governance Statement (AGS) to accompany the Statement of Accounts as required under Regulation 4 of the Accounts and Audit Regulations 2005.
2. The Committee acknowledges the importance of the AGS and has requested to receive an overview of the process and a draft of the AGS (see Appendix C) at their meeting in March and a final draft in June, with an opportunity to contribute.

Background

3. The Council has responsibility for conducting at least annually a review of the effectiveness of the governance arrangements including the system of internal control. The review is informed by a range of assurance sources which are highlighted in Appendix A. Primarily input is sought from senior management who are accountable for effective governance arrangements, particularly the Statutory Officers.
4. Good governance leads to effective management, improving performance, stewardship of public money, successful public engagement and ultimately, the desired outcomes for citizens and service users. Sound governance enables the Council to pursue its vision effectively as well as underpinning the mechanisms for control and the management of risk.
5. The Audit Committee at their meeting in January received a report in relation to the Senior Management Assurance Statement 2014/15 (SMAS) which is to be completed by management at the end of the financial year. The Committee approved the Assurance Statement to be used in collating evidence to inform the Annual Governance Statement 2014/15, although suggested amendments have been made which included an additional question in relation to Personal Performance and Development Reviews, a copy of the revised questionnaire is appended to this report (Appendix B).
6. All Senior Managers have a responsibility to ensure sound governance arrangements within their Directorate. The SMAS gives Directors the opportunity to qualify their assurance and to identify any matter/s which may potentially have a significant impact on the Council. As highlighted in the January report, the SMASs are fundamental to the completion of the AGS since they highlight any significant governance issues to feed into the statement; the outcomes of which will be collated following the year end position and once the Audit & Risk Manager has met with each Director to challenge their responses.

7. Once all have been completed any significant governance issues are compiled into a list and checked against the Corporate Risk Register (CRR). Issues raised that are captured on the CRR are not highlighted in the statement to avoid duplication (this is highlighted in the AGS). The Senior Management Team is presented with the list of significant governance issues for corporate consideration and collective approval.
8. Following approval by management the AGS will be updated and reported to Audit Committee in June within the draft Financial Statements 2014/15. Thereafter the AGS will be finalised in preparation for September Council where the Financial Statements are presented.
9. The AGS is underpinned by a Governance Framework which derives from the CIPFA/SOLACE Delivering Good Governance in Local Government Framework. The Council uses this Framework to identify evidence against each of the principles outlined below. The principles and standards set out in the Framework are aimed at assisting Local Authorities to develop and maintain sound governance arrangements. The Framework is built on the Good Governance Standard for Public Services comprising 6 core principles outlined below:
 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
 - Taking informed, transparent decisions which are subject to effective scrutiny and managing risk.
 - Developing the capacity and capability of Members and Officers to be effective.
 - Engaging with local people and other stakeholders to ensure robust public accountability.
10. The Governance Framework provides a useful source for collating the evidence to inform the AGS, but in order for the AGS to show a true assessment of the Council during the financial period further sources are relied upon.
11. The process of compiling the AGS begins in quarter 4 of each financial year. The Governance Framework is reviewed annually by officers to ensure there are no gaps in the evidence required to meet the principles of the Framework. The review is undertaken by officers from the areas of Audit & Risk, Performance & Information, Scrutiny, Partnerships, Legal & Democratic Services.

Issues

12. Audit Committee are sighting the AGS prior to year end, therefore there are a number of gaps in the statement as much of the final drafting takes place after the financial year end. Appendix C informs the Committee of the structure of the draft AGS, which will be developed over the coming months to form conclusions to be incorporated within the draft Statement of Accounts. The AGS is split in two parts; firstly, a reflection of the good governance principles and then a review of effectiveness of the Council's governance arrangements.

13. Following year end the review of effectiveness will be completed when all sources of information are readily available. Sources which will be relied upon which are detailed in the sources of assurance noted at appendix A.

Legal Implications

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

Financial Implications

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

Recommendation

16. The Audit Committee considers the content of the draft Annual Governance Statement 2014/15, mindful that certain sections cannot be completed until year end.
17. The Committee reinforces the requirement for all Directors to complete a Senior Management Assurance Statement at the year end position 2014/15 in order for the draft Annual Governance Statement to be finalised.
18. Members of the Committee agree that once the Audit Committee's Annual Report is drafted that the opinion contained within informs the Annual Governance Statement, both of which will be presented to the Committee in June.

CHRISTINE SALTER CORPORATE DIRECTOR RESOURCES

The following Appendices are attached:

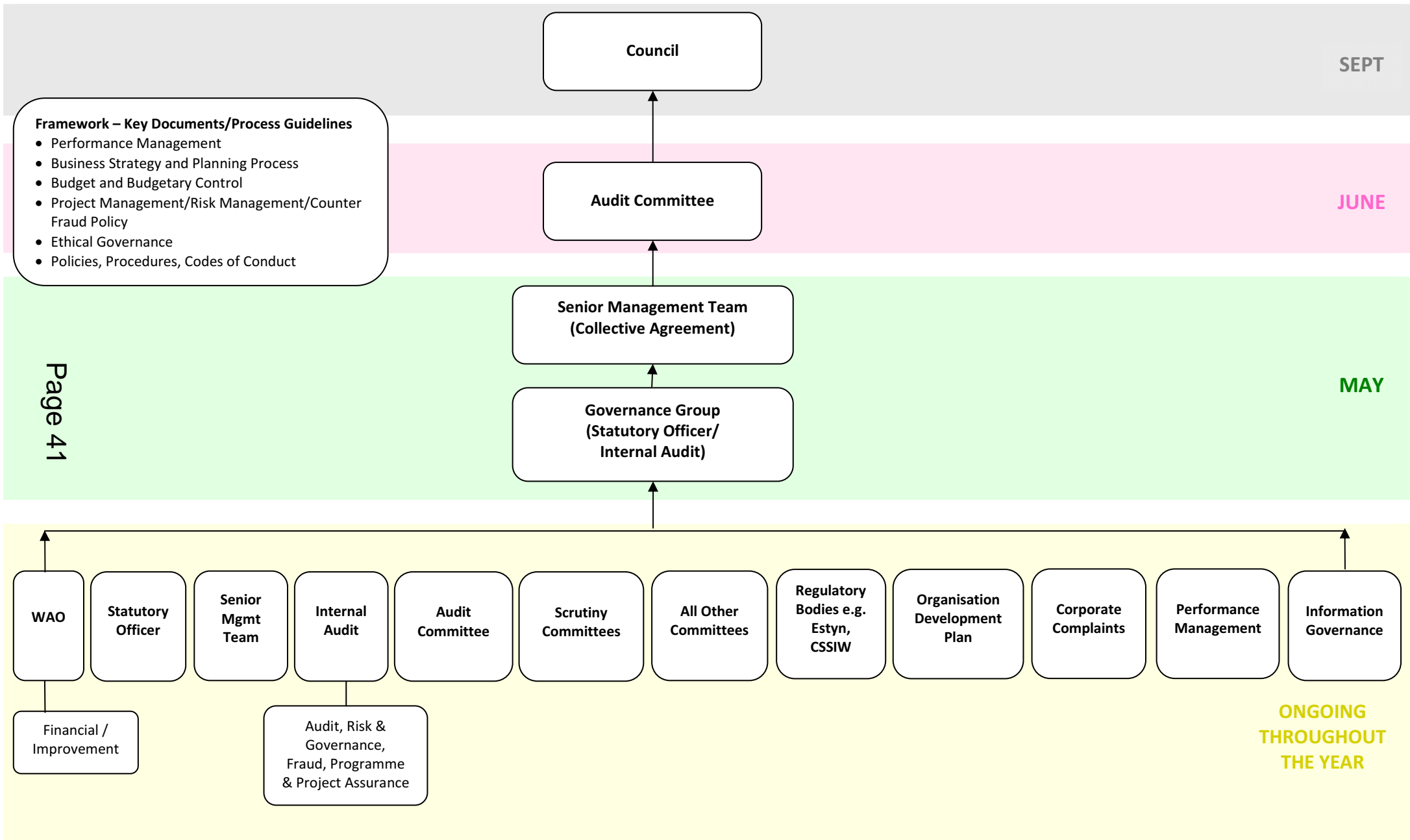
Appendix A – Sources of Assurance to inform the Annual Governance Statement

Appendix B – Senior Management Assurance Statement

Appendix C – Draft Annual Governance Statement 2014/15

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CITY OF CARDIFF COUNCIL - ANNUAL GOVERNANCE STATEMENT 2014/15



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Senior Management Assurance Statement 2014/15

This statement is given in respect of the Council's Statement of Accounts 2014/15. It is essential that there is an effective framework in place to give sufficient and reliable assurance on the Council's stewardship and the management of the major risks to deliver an improved, cost effective public service.

The information provided in this statement is given to the best of my knowledge in connection with the functions for which I have been responsible during the financial year 2014/15, acknowledging responsibility in maintaining and operating a service in accordance with the Council's procedures and practices that uphold the internal control and assurance framework.

		Yes	Partly	No
1.	<p><u>Corporate Risk Register</u> - The areas for which I am responsible make every effort to contribute to the mitigating actions contained within the Corporate Risk Register.</p> <p><i>- I review my Corporate Risks at least quarterly.</i></p> <p><i>- I have assigned mitigating actions to the corporate risks for which I am responsible.</i></p> <p><i>- Any new corporate risks are brought to the attention of the Audit & Risk Manager in the first instance.</i></p> <p><i>- I understand my role as a member of Senior Management Team in challenging the make-up and content of the CRR as a whole.</i></p>			
If Partly or No, please comment:				
2.	<p><u>Directorate Risk Register</u> – I am satisfied with the risk management arrangements within my Directorate in that risks have been identified, assessed and the controls in place to manage the risks have been operating effectively throughout the period under review.</p> <p><i>- The directorate for which I am responsible has identified a Directorate Risk Register.</i></p> <p><i>- Identified risks have been assessed and a residual risk score determined.</i></p> <p><i>- I can evidence that the Directorate Risk Register is reviewed at least quarterly and mitigating actions are updated accordingly.</i></p> <p><i>- Managers within the Directorate are proactively managing their risks which can be demonstrated by any new additions to the Directorate Risk Register throughout the year.</i></p>			
If Partly or No, please comment:				
3.	<p><u>Partnerships / Collaboration Risk</u> - Appropriate consideration of the risks associated with any partnership or collaborative activity have been determined before any agreement has been entered into by the Council.</p> <p><i>- The partnership will have a senior management team made up of representatives from all organisations.</i></p> <p><i>- Thorough consideration will be given to the governance arrangements of the partnership or collaborative activity before any agreement has been finalised.</i></p>			
If Partly or No, please comment:				

		Yes	Partly	No
4.	<p><u>Compliance with Council Rules</u> - Staff within my Directorate involved with financial matters and contracts are familiar with and comply with Financial Procedure Rules and Contract Standing Orders & Procurement Rules. Management are fully aware of their responsibilities when authorising transactions and will be held accountable for their actions.</p> <ul style="list-style-type: none"> - <i>Managers within the Directorate understand the importance of compliance with Council Policies, Procedures and Rules.</i> - <i>Staff within my Directorate have access to all necessary procedure rules of which they are compliant.</i> - <i>If required staff will be offered training.</i> - <i>Any issues of non-compliance with the rules are reported to management and acted upon.</i> - <i>Officers are held to account for any non-compliance.</i> 			
If Partly or No, please comment:				
5.	<p><u>Project Quality Assurance (PQA)</u> - Proposed business change models impacting on service delivery take account of the associated risks and internal controls as a key element of the implementation of the change. Change models delivered through a project follow the Council's PQA process, reducing the Council's risk profile by having a clear scope, delivering within the constraints of time, cost and quality, enabling proactive assessment and management of risk.</p> <ul style="list-style-type: none"> - <i>Internal Audit have been made aware of any new system developments which may impact on fundamental internal controls.</i> - <i>Project governance is in place for all projects.</i> - <i>The Directorate for which I am responsible has approved up to date Project Briefs and Plans; the outcomes and benefits to be delivered by the projects have been clearly defined.</i> - <i>Project Business Cases have been developed and approved by Investment Review Board.</i> - <i>All projects proactively manage the achievement of key milestones and record and manage associated risks and issues.</i> - <i>Project delivery staff have been trained in the Council's approved project management methodology (PQA).</i> 			
If Partly or No, please comment:				
6.	<p><u>Budget Monitoring</u> – The level of savings to be achieved is significantly higher than in previous years, consequently the Directorate has effective budget monitoring arrangements in place and all efforts have been made to balance spend against budget for the financial year.</p> <ul style="list-style-type: none"> - <i>Where necessary innovative measures have been implemented to reduce spending during the financial year.</i> - <i>I have worked with Service Accountants to ensure financial monitoring represents a true picture through the financial year including achievement of budget savings.</i> - <i>I have continued to liaise with the Directorate's relevant Cabinet Members to ensure they are aware of the financial position and associated risks.</i> 			
If Partly or No, please comment:				

		Yes	Partly	No
7.	<p><u>Resource Savings</u> - Due consideration has been given to the risks and the need to protect basic financial controls when proposing savings e.g. any voluntary severance and any consequential restructuring.</p> <p><i>- Voluntary severance or any Directorate restructures have been assessed via a business case outlining costs and associated risks.</i></p> <p><i>- The impact of losing individual roles has been considered as part of the business case.</i></p>			
If Partly or No, please comment:				
8.	<p><u>Internal Control Environment</u> - The operation of the key controls within my Directorate are monitored on a regular basis to ensure risk is mitigated where possible and key controls within core business are maintained.</p> <p><i>- Key controls within my Directorate promote ownership of the control environment by defining roles and responsibilities; managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action.</i></p> <p><i>- Physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems are in place.</i></p>			
If Partly or No, please comment:				
9.	<p><u>Fraud & Financial Impropriety</u> - All suspected cases of fraud or financial impropriety are referred promptly to Internal Audit. Investigations are undertaken in a robust manner, with sanctions consistently applied, that recognise the seriousness of the matter under investigation.</p> <p><i>- Management are aware of the requirements of the Anti-Fraud, Anti-Corruption & Bribery Policy and the Disciplinary Policy & Procedures.</i></p> <p><i>- All suspected cases of fraud are logged in DigiGov to ensure actions are monitored in a timely manner.</i></p> <p><i>- Any lead investigator's I appoint are suitably qualified and skilled to undertake the role.</i></p>			
If Partly or No, please comment:				
10.	<p><u>Independent Assurance</u> - All reports received from Regulators, Inspectorates, External and Internal Audit are considered in a timely manner. Management actively monitor and ensure action is taken to implement agreed recommendations to enhance the internal control environment.</p> <p><i>- All recommendations are actioned in a timely manner by staff within my Directorate.</i></p> <p><i>- All recommendations are monitored until fully implemented.</i></p> <p><i>- Internal Audit is updated on progress made against each internal audit report.</i></p>			
If Partly or No, please comment:				

		Yes	Partly	No
11.	<p><u>Service Delivery</u> – The impact of the severe budget pressures has had an impact on resources within Directorates. Do you consider your Directorate has the structure in place to maintain and deliver an appropriate standard of service for customers and stakeholders.</p> <ul style="list-style-type: none"> - <i>Are resources aligned to meet the outcomes of the Directorate.</i> - <i>Are Personal Performance and Development Objectives aligned to key outcomes of the Directorate.</i> - <i>A service review has been undertaken to inform future delivery options.</i> 			
If Partly or No, please comment:				
12.	<p><u>Personal Performance and Development Reviews (PPDR)</u> – Through the PPDR Scheme all staff within my Directorate are clear about their roles, responsibilities and the behaviours expected of them whilst giving a clear understanding of how their job and efforts contribute to the Council's objectives.</p> <ul style="list-style-type: none"> - <i>The PPDR Scheme is applied across my Directorate to enable employees and managers to discuss work performance and behaviour as well as to identify learning and development needs.</i> - <i>All Staff have agreed S.M.A.R.T. objectives and development plans.</i> - <i>Reviews are conducted in a professional and considerate manner where the Manager and Employee acknowledge the discussion is a two way process.</i> - <i>Feedback and comments are supported by evidence.</i> 			
If Partly or No, please comment:				

SIGNIFICANT ISSUES

The following are recognised as significant issues which have occurred during the financial period 2014/15 within the Directorate for which I am responsible, which may be considered appropriate for inclusion in the Council’s Annual Governance Statement 2014/15.

The co-ordinated responses of the Assurance Statements will be reviewed by Internal Audit and presented to Senior Management Team for collective agreement of the issues to be included in the Annual Governance Statement 2014/15.

Significant issue	Action implemented / proposed

Alternatively,

No significant issues identified	<i>Please tick if appropriate</i>
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Significant Governance Issues - Annual Governance Statement 2013/14

The below summarises the Significant Governance Issues identified in Annual Governance Statement 2013/14. All issues were assigned collectively to Senior Management Team, therefore an update from each Directorate would be beneficial in determining the year end position of each issue.

Significant issue	Position as at 31.03.2015
<p><u>Capacity & Decision Making</u></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><u>Action at year end position 2013/14</u></p> <p>Prioritisation of work to make best use of internal expertise.</p>	
<p><u>Organisational Development (OD) Plan</u></p> <p>The Cabinet acknowledges the range of critical challenges facing the Council, in order to respond to these challenges an ambitious programme of organisational change has been established to reflect the transformational ambition for the Council and for Cardiff. This includes a wide number of capital and other projects. We need to ensure that projects are commissioned through proper arrangements and that their subsequent sponsorship ensures that project objectives are met. The requirement to have sound processes and governance arrangements are critical to the success of the Programme.</p> <p><u>Action at year end position 2013/14</u></p> <p>The OD Plan identifies the key enablers through which the Council will reposition its approach to understanding and meeting citizen needs. This approach will be central in meeting the challenges facing the Council.</p>	
<p><u>Commissioning Capability and Capacity</u></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><u>Action at year end position 2013/14</u></p> <p>A Commissioning Capability Framework needs to be developed using external best practice and internal experiences and skills. This framework will identify key competencies, capabilities and behaviours needed to successfully develop and get the best out of partnerships with service providers. It is now critical that this framework is translated into delivering a step change in commissioning capability.</p>	

Significant issue	Position as at 31.03.2015
<p><u>Transparency of Internal Market Costing</u></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><u>Action at year end position 2013/14</u></p> <p>Reviews currently being carried out to improve costing arrangements in the most critical areas with ongoing investigations to shortly commence in less critical areas. Account manager arrangements to be considered to improve dialogue between customers and clients.</p>	

With the exception of the above I am satisfied that the systems of internal control in place within my Directorate are sufficient to manage the identified risks to an acceptable level.

Signed by:	
Designation:	
Date:	

Derek King, Audit & Risk Manager will undertake a series of meetings arranged in March / April to meet with each Director to consider the responses to this certified statement. Each Director is expected to give some thought to their responses prior to the meeting.

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ANNUAL GOVERNANCE STATEMENT 2014/15

Scope of Responsibility

1. The City of Cardiff Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.
3. The Council is the Administering Authority for the Cardiff and Vale of Glamorgan Pension Fund (the Pension Fund) and Cardiff Port Health Authority (CPHA). The governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund and CPHA. There are further specific requirements for the Pension Fund which are:
 - The Statement of Investment Principles
 - Funding Strategy Statement
 - A full Actuarial Valuation to be carried out every third year
4. The Council has approved and adopted a Governance Framework, which is consistent with the principles of the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government. A copy of the framework can be obtained from the Audit and Risk Manager. This statement explains how the Council has complied with the Governance Framework and also meets the requirements of the Accounts and Audit Regulations 2005.

The Purpose of the Governance Framework

5. The Governance Framework comprises the systems and processes, and culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
6. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
7. The following paragraphs summarise the core principles of the Council's Governance Framework and reflects the arrangements in place to meet the six core principles of effective governance:
 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

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- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of Members and Officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

8. The authority's vision is an integral part of the city's 10 Year *What Matters* Strategy (2010-2020) which has been developed in conjunction with public, private and voluntary sector stakeholders and following citizen engagement.
9. The *What Matters* Strategy brings together the Community Strategy; the Children & Young People's Plan; the Health, Social Care & Wellbeing Strategy and the Community Safety Strategic Assessment into a single plan which is based on a vision of delivering 7 shared outcomes. The Council participated in the development of seven Citizen Outcomes with the Cardiff Partnership Board partners.
10. The Council's new Corporate Plan for 2015-17 sets out a clear vision to be "Europe's most liveable Capital City" based on delivering the What Matters seven strategic outcomes. There is also a greater focus on a smaller number of priorities and review of performance measures. The draft Corporate Plan priorities have been determined as:
 - Education and skills for people of all ages
 - Supporting vulnerable people
 - Sustainable economic development
 - Working with people and partners to design, deliver and improve services
11. There is alignment between these documents, risk assessments and the Medium Term Financial Plan in order to direct resources to priority areas. The Budget, where possible, provides dedicated funds for service improvements.
12. Delivery against the What Matters Outcomes has continued in 2014/15. An Annual Report for 2013/14 was produced in May 2014 detailing progress and the Report for 2014/15 will be prepared following 31st March 2015.
13. As part of the mid-term review of the 10 year Strategy, the Partnership has commenced a refresh of the Strategic Needs Assessment and Strategy for completion by Autumn 2015. The refresh will review the changing policy context and priorities in light of the changed economic environment and also reflect future requirements of the Wellbeing of Future Generations Bill.
14. To inform the refresh, work has also been undertaken with the existing Partnership Programmes to review priorities and at the meeting of the Cardiff Partnership Board on 5th February, it was agreed that there should also be alignment of delivery arrangements with the Council's Organisational Development Programme where relevant.
15. Services are delivered by the Council, by third party providers contracted to the Council, and through partnership arrangements with other public bodies. The Cardiff Partnership Leadership Group, chaired by the Leader of the Council, acts as an overarching body providing strategic guidance for the city on wide ranging issues.. The implementation of the vision is led by the Cardiff Partnership Board (CPB), chaired by the Council's Chief Executive and supporting programme management arrangements.
16. In 2014, the Cardiff Partnership Leadership group was replaced by the Joint Cardiff & Vale of Glamorgan Local Service Board (agreed by Cabinet on 10th April 2014) and there have been three meetings to date. A joint work programme has been agreed and is being progressed which aligns with both the What Matters Strategy and the Council's Corporate Plan.

ANNUAL GOVERNANCE STATEMENT 2014/15

17. The CPB facilitates a 'seamless public service' approach which encourages greater joint working and integration of service delivery to release efficiencies and improve the effectiveness of services provided. Alignment of commissioning processes to meet identified needs and deliver shared outcomes has been progressed through the Families First programme which has used outcome based service specifications. These services are also being joined-up with other programmes such as Flying Start, Communities First, Integrated Family Support and Neighbourhood Management.
18. Alignment of commissioned services and partnership activity has continued in 2014/15 using Neighbourhood Partnerships as mechanism for aligning local service providers, reviewing provision and identifying gaps. There has also been significant progress made in using individual focussed data to review provision and provide improved tailored support e.g. EET Panels (EETs refers to young people not in Education, Employment or Training). Through robust contract management and performance reporting there has also been reviews of thematic services (e.g. Parenting Services) across separate Programmes such as Families First, Communities First, Flying Start and Team around the Family which has identified both potential duplication and gaps in provision. This has resulted in decommissioning of some services and commissioning of new provision to meet demands.
19. A Neighbourhood White Paper was agreed by partners in October 2013 which included a number of recommendations for further developing locality working and the delivery of neighbourhood action plans. One of the recommendations included the identification of lead elected members for each of the six Neighbourhood Partnerships, which were agreed by Cabinet in March 2014.
20. The Neighbourhood White Paper has been implemented in 2014/15 including the establishment of the Lead Elected member role for the 6 Neighbourhood Partnership and the delivery of the Neighbourhood Fund.
21. Neighbourhood delivery also continues to shape the new model of public services in Cardiff and this is reflected by its inclusion in Council's Organisational Development Programme – Reshaping Services Portfolio and a new Neighbourhood Infrastructure Service Pilot being undertaken.
22. The Council has agreed a performance management framework and a range of performance measures that demonstrate progress in meeting the priorities in the Corporate Plan. This framework also includes the statutory National Strategic Indicators as specified by Order. The annual outturns against these indicators are submitted to the Welsh Government to be audited as part of the revised Wales Programme for Improvement as the result of the Local Government (Wales) Measure. This framework ensures that there is alignment between the What Matters Strategy, Corporate Plan, Strategic Equality Plan, Directorate Plans and Personal Performance and Development Plans. Performance against the Council's targets and objectives are reported publicly on a quarterly and annual basis.
23. The Corporate Plan and Directorate Plans include key performance targets and these are monitored on a regular basis. Every quarter, each Directorate provides monitoring reports to the Senior Management Team (SMT) and the Cabinet with Scrutiny involvement where required. This enables the Council to track progress against the key objectives, monitor performance against targets and inform remedial action where required.
24. Enhancements have been made in 2014/15 to strengthen the performance management arrangements given the range of challenges facing the Council, examples include the Star Chamber Sessions chaired by the Leader and the Improvement Boards chaired by the Chief Executive set up within specific Directorates including Children's and Education and Lifelong Learning.

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25. An annual Improvement Plan reports the progress over the previous financial year in terms of:
- a review against the key objectives
 - progress and comparative information regarding the National Strategic Indicators and a balanced set of Core and Local Indicators which will in future be based on the measures in the Corporate Plan,
 - an assessment of the key risks,
 - an account of the challenges for the future which in future will be part of the requirements of the Corporate Planning regime.
26. The Local Government (Wales) Measure 2009 amended the statutory basis of the Improvement Agenda and from 2010 the drafts of the Corporate Plan and Improvement Report have been discussed at Scrutiny and the Cabinet before being debated and approved by Council prior to publication. Both Plans assist the Council in meeting the statutory obligations under the Local Government (Wales) Measure 2009 and form part of the Regulation and Inspection Regime undertaken by the Wales Audit Office (WAO) on behalf of the Welsh Government. This regime was amended under the Measure and the Council will receive two Letters each year which will culminate in an overall picture of the ‘ability to improve’ in the Auditor General for Wales Annual Improvement Report.

Members and Officers working together to achieve a common purpose with clearly defined functions and roles

27. The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It has done this by appointing a Leader, and a Cabinet which has collective decision making powers. Annual Council meet in May of each year to establish Committees, their size, terms of reference and allocation of seats. The Council’s Constitution sets out the terms of reference for each of its Committees and the decisions that can be taken by each of those Committees; which is reviewed regularly by the Constitution Committee and recommendations made to Council. A number of Committees have been appointed by Council to discharge regulatory and scrutiny functions.
28. The Council’s Constitution sets out the particular roles and responsibilities of Officers and Members and provides clarity on the interfaces between these roles. These include:
- Scheme of Delegations
 - Members’ Code of Conduct
 - Employees’ Code of Conduct
 - Protocol on Member / Officer Relations
 - Cardiff Undertaking - upon election all Members sign “The Cardiff Undertaking” which underlines their duties to the City and its citizens.
29. Soon after the 2014/15 Budget was approved in February 2014 Council the Leader announced her resignation. Councillor Joyce stepped down when a new Leader had been appointed by the Labour Group; Councillor Phil Bale was elected the Leader of the Council in March 2014.
30. The Council is required to agree and publish a Schedule of Member Remuneration on an annual basis which sets out the levels of remuneration and allowances payable to Members. This is subsequently updated in line with the determinations made by the Independent Remuneration Panel in any annual or supplementary reports. Information relating to officers’ pay levels is included in the Council’s Annual Pay Policy Statement as required by the Localism Act 2011 and also in the Annual Statement of Accounts.

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31. The Corporate Plan forms part of the strategic policy framework set out within the Council's Constitution and is considered annually by the Council. The document outlines the Authority's strategic policy priorities and forms part of the required statutory improvement framework as it discharges the Council's obligations under the Local Government (Wales) Measure 2009 to publish a stage one plan, setting out how the Council plans to achieve its priorities for improvement.
32. The Annual Improvement Report 2013/14, was noted by the Cabinet on 18 September 2014, which incorporated several proposals for improvement which have been instigated through 2014/15 including;
- Directorate Delivery Plans that provide clear milestones and performance indicators against which the delivery of the Corporate Plan can be monitored;
 - Aligned monitoring and reporting cycles for finance and service performance information to afford the Council greater visibility of its overall performance position;
 - Performance Challenge sessions at Senior Management Team on a monthly basis;
 - Joint Cabinet and Senior Management Team Performance Challenge meetings on a monthly basis;
 - Scrutiny of performance information prior to formal Cabinet consideration;
 - Accelerated Improvement Support – led by the Chief Executive for targeted services, including Children's Services and Education, utilising a mix of internal support and external peer support and challenge;
 - A Challenge Forum which draws together senior Members and officers, together with external peer support, to test and challenge the Council's progress against its improvement journey;
 - An extensive staff engagement programme to raise awareness of, and involvement in, the improvement journey;
 - A simplified Personal Performance Development and Review process and a focus on compliance.
33. During the Autumn of 2014 the Council set about developing a Corporate Plan for 2015-2017 in the context of severe financial challenges facing local government. The content of the Medium Term Financial Plan (MTFP) approved as part of the 2014/15 Budget Report has been incrementally updated during the year as further negative announcements were made by both the UK government and the Welsh Government. The July Budget Strategy Report detailed changes to the assumed level of Revenue Support Grant (RSG) which increased the anticipated budget gap from £34.2 million as reported in February 2014 to circa £45.5 million in July 2014. The 2015/16 Provisional RSG settlement announced in October 2014 was slightly better than the planning assumption mainly as a result of increases in population. The final RSG settlement in December 2014 was consistent with this position so that overall the Council's cash position is a reduction of £12.516 million against that received in 2014/15 resulting in the second year of an absolute cash reduction.
34. As part of the Budget Strategy Report it was decided that the budget savings proposed for 2015/16 would need to be delivered by following a targeted budget savings approach and that the classification introduced in 2014/15 would be continued. Consequently, targets were developed under the headings of:
- Policy led savings
 - Business Process led corporate efficiency savings
 - Discrete Directorate led savings
35. Given the significant level of savings required in 2015/16 following the unprecedented level required in the current year, it is more important than ever that the proposals identified are robust and deliverable.

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36. The Council also recognises the importance of maintaining the ‘golden thread’ that should exist between:
- priorities;
 - service and financial planning;
 - timely performance management that integrates financial and service performance, and;
 - objectives for, and performance of, individual members of staff.
37. To ensure clear lines of accountability, the Corporate Plan is structured around Cabinet portfolio responsibility. As part of the integrated, corporate approach required to support the implementation of the Corporate Plan 2015-2017, individual Directorate Delivery Plans, containing more detailed objectives and outcomes, further integrate financial and service planning. The Delivery Plans provide clear lines of responsibility and increased accountability and are subject to effective management challenge and scrutiny.
38. During 2014/15 there has been a period of stability regarding the Senior Management Team, Paul Orders, Chief Executive commenced in post in December 2013. In February 2015 the Cabinet were presented with a report from the Chief Executive with proposals for an amended senior management structure, which is designed to meet the objectives of the proposed budget saving as outlined in the Cabinet report ‘2015/16 Budget proposals – For Consultation’ that was considered on 20 November 2014 and the objectives set out in the Cabinet report entitled ‘Senior Management Arrangements’ that was considered on 26 January 2015.
39. The proposed restructure looks to reduce the number of posts from eleven to seven. The Chief Executive has discussed the proposals with each of the affected individuals who were invited to provide comments in response. He has also briefed relevant audit and inspection bodies on the proposals. The Chief Executive has considered the various comments which have been received as part of the consultation process. As a result, the proposals set out in the report reflect any subsequent changes that have been made to the Tier 1 proposals based on valid submissions received.
40. The following roles are considered new roles and, therefore, will need to be advertised externally: 1) Director of City Operations, 2) Director of Social Services and 3) Director of Governance & Legal Services (reporting to Corporate Director Resources).
41. All employees, including senior management, have clear conditions of employment and job descriptions which set out their roles and responsibilities. The Employment Conditions Committee maintains an overview of such conditions.
42. The Corporate Director Resources is the Council’s Section 151 Officer who has overall responsibility for the financial administration of the Council. During the temporary period when the Corporate Director Resources was acting as Interim Head of Paid Service arrangements were put in place for an Interim Section 151 Officer. The Authority’s financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
43. Central finance employees provide advice and guidance to all Directorates, for instance providing support to forecast and monitor budgets on a periodic basis, with regular financial reports which indicate actual and projected expenditure against the budget and setting targets to measure financial performance.
44. All reports to the Council, the Cabinet and Committees are required to be considered from a financial perspective. All relevant employees are expected to be aware of the authority’s Financial Procedure Rules and the Contract Standing Order and Procurement Rules.

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45. Currently the Council's Monitoring Officer role is undertaken by the County Clerk and Monitoring Officer. This position is affected by the proposed tier 1 management restructure, looking forward to 2015/16 the Monitoring Officer role will be undertaken by the new post Director of Governance & Legal Services.
46. An Impact Screening Tool has been developed by the Council to assess strategic policies and ensure that they take into account statutory requirements such as the impact of economic, social and environmental wellbeing and meet the requirements of the 2010 Equality Act. The Impact Screening Tool has been in place for several years and has been reviewed over time, most recently revised in 2013. The tool brings together the requirements of Equality Impact Assessments and Strategic Environmental Assessments in to one place to embed impact assessments in all decision making. The requirement for completion of screenings is also included within the Cabinet Report template to ensure the Council meets its statutory duties.

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

47. In October 2014, the Cabinet agreed a renewed set of Values for the organisation, focusing on fairness, openness and working together. The Council supports a culture of behaviour based on these values which guide how the long term vision of the Council is put into effect, as well as how Members and Officers deliver their day to day roles. The Council's values have been actively communicated across the Council. The organisation's personal performance and development arrangements include specific tools to support staff in reflecting on how best to bring these values to life in their day to day work.
48. The Democratic Services team coordinate and facilitate a range of training courses to assist Members in carrying out their roles as ward members and community leaders. Where Members feel they require specific training then this is arranged. This may be undertaken in a group environment or one to one with officers. Specific training events were instigated following the elections where Members met with senior management to gain an understanding of the wide variety of functions across the Council.
49. Governance and conduct matters are monitored by the Standards and Ethics Committee of which public meetings are held regularly and are chaired by an independent person. All Members and Officers are expected to comply fully with Codes of Conduct as set out in the Constitution. Protocols are in place for working relationships between Members and Officers e.g. Officer-Member Protocol. Since the local elections in 2012 a new Member Enquiry System has been launched and this logs Member enquiries and the responses from Officers.
50. The Audit Committee was established under the Local Government Measure (Wales) 2011, the key function of the Committee is to scrutinise and challenge the governance, risk management and internal control arrangements of the Council. The Committee has 12 seats; 8 elected members and 4 independent lay members. There have been some changes to the independent members of the Committee during 2014/15, due to there being one vacant seat and Sir Richard Lloyd-Jones resigning from the Committee. A public recruitment exercise was undertaken and two independent members were appointed who both have a wealth of knowledge and experience to bring to the Audit Committee; Ian Arundale and Hugh Thomas. A full induction programme is followed for all new members. Sir Jon Shortridge was re-elected as Chair to the Committee for the municipal year 2014/15.
51. The Audit Committee continues to provide assurance to the Council on the effectiveness of its governance, risk management, and internal control arrangements. In providing such assurance the Audit Committee has followed a wide ranging programme of work focusing on strategic risks and fundamental financial processes. The Audit Committee through its Work Programme has standard agenda items at each meeting which include; budgetary and financial information, treasury management, risk and governance, internal audit, external audit and operational

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matters. The Committee is supported by the Council's Section 151 Officer as the principal advisor, the Audit Manager, who provides technical support and Democratic Services provide secretariat support. Agendas, minutes and meeting papers are captured on the Council's Website.

52. All staff undertake induction training which provides information on a range of policies, procedures and regulations including those relating to Financial Control, Health & Safety, Equalities and IT Security.
53. The Council takes fraud, corruption and maladministration very seriously and has the following policies to prevent, and deal with, such occurrences:
 - Financial Procedure Rules
 - Contract Standing Order and Procurement Rules
 - Whistleblowing Policy
 - Anti-Fraud, Anti-Corruption and Bribery Policy
 - Anti-Money Laundering Policy
 - HR policies regarding discipline of staff involved in such incidents;
 - Local Government Code of Conduct (for employees)
54. Under the Anti-Fraud, Anti-Corruption and Bribery Policy all managers are required to notify the Audit Manager where there is any suspicion of fraud or impropriety, which helps to ensure a consistent and high standard of investigation is undertaken. The Council is determined that the culture and tone of the organisation is one of honesty and opposition to fraud and corruption. The Council's expectation on propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to rules, and that all procedures and practices are above reproach. The policy is available for staff on the Council's CIS site. A review of the policy has been undertaken in 2014/15 and is to be presented to the Audit Committee in March 2015 for comment. Once finalised and approved a message will be circulated to all staff via the Core Brief communication tool.
55. The Council in May 2013 introduced a Comments, Complaints and Compliments Policy which ensures that the public and other stakeholders are given the opportunity to tell the Council what they think about the services we provide. In the run up to its introduction, briefings were carried out across the Council to raise awareness of the revised procedure. The new streamlined procedure reflected guidance given in the Welsh Government Model Policy and Guidance Paper for Handling Complaints, as well as guidance received from the Public Service Ombudsman for Wales and now places a greater emphasis on a prompt resolution of complaints. Annually Cabinet are informed of the number of complaints received.
56. The Council has developed an Information Governance Strategy which includes a suite of Information Governance Policies which set out the responsibilities of the corporate body and staff. These policies provide the framework for the Council to ensure that it is compliant with the Data Protection Act, including the (Privacy & Electronic Communications Regulations, CCTV Code of Practice, Employment Code of Practice), the Freedom of Information Act, and Environmental Information Regulations.
57. The Information Governance Training Strategy sits alongside the Information Governance Strategy to ensure that all staff receive training based on their employment within the Council and additional training to support the function and role that they deliver, which is reviewed annually. The training programme is set out over three levels with level one being mandatory for all staff that use a PC as part of their duties. Compliance reports for level one training are regularly distributed to Directors and Operational Managers. All other staff receive a booklet outlining the Council's Policies and setting out their responsibilities, these staff are required to attend a briefing session and sign that they have received the booklet. This has provided the Information Commissioner's Office with the required assurance that the Undertaking

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requirements have been appropriately implemented and, they are satisfied that this will support compliance to the Data Protection Act 1998.

58. Over the last financial year the Council has continued to strengthen information governance arrangements and capabilities. The Corporate Director Resources is the Council's Senior Information Risk Owner, supported by the Corporate Information Management Team, managing the overall Council approach to Information Management. Annually the team produces an Information Security Report which looks to address continuous improvement in this area.
59. Members are registered with the Information Commissioner as individual Data Controllers.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

60. Responsibility for decision making in relation to the functions of the Council is clearly set out in the Council's Constitution. This describes the roles and relationships for decision making, between the Full Council, the Cabinet, Scrutiny and other Non-Executive Committees. It also details decisions delegated to senior officers through the different management tiers.
61. All decisions taken by Members are on the basis of written reports by officers which include assessments of the legal and financial implications arising from the decision. Such reports address the key risks involved in particular decisions and alternative courses of action which are available. Reports also take into account the impact of economic, social and environmental wellbeing factors through the Council's Impact Screening Tool. Decisions Registers for the Cabinet, Senior Officers, and for the Regulatory Committees are published on the Council's website.
62. Cardiff Council Scrutiny services play an important role in facilitating robust challenge to the organisation through the work of the Scrutiny Committees and a variety of informal scrutiny panels and activities. Scrutiny is an integral part of the Wales programme for improvement, and its challenge is designed to support the cabinet in providing accessible, efficient and effective services for citizens.
63. The Council has appointed five standing Scrutiny Committees, each of which meet on a monthly basis to undertake pre-decision scrutiny, policy monitoring and review. Training events were arranged throughout the year for scrutiny members; an example includes 'Working with Risk – Budget Scrutiny Workshop' which was held in January prior the Council's budget being set for 2015/16.
64. On 2 April 2014, Democratic Services Committee was presented with a Strategy for Democratic Services 2014/15. The Strategy set the framework for a number of improvements to be implemented throughout the year. Following the Cabinet report presented in May 2014 'Establishing a Programme of Organisational Change for the City of Cardiff Council' it was agreed that the 'Governance and Member Engagement' become a formal Programme to deliver against the Organisational Development Plan. Therefore the programme has ensured the effective delivery of the improvements identified in the report presented to Democratic Services Committee.
65. The Council's Scrutiny Committee Work Programme for the municipal year 2014/15 was published on the Council's website by way of a forward plan, which gave details of the task and finish inquiries to be undertaken through the year and the associated timescales for delivery.

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66. Each Committee launches a number of in-depth inquiries each year to help the Cabinet develop and review robust, evidence-driven policies and services. The Committees provide recommendations to the Cabinet following Scrutiny Inquiries, the majority of which are fully accepted. Recommendations are monitored to ensure these are accepted. Each Inquiry is formally presented to Cabinet and a formal response given, detailing exactly how many recommendations are accepted / partially accepted / rejected. Scrutiny Committees then monitor the implementation of recommendations at appropriate points going forward (often annually).

67. A number of letters are written by the Council's five Scrutiny Chairs to Cabinet Members following Scrutiny Committee meetings, offering advice on service improvements. Where Scrutiny Chairs write letters to Cabinet Members the Chair formally requests a response from the Cabinet, again in the form of a letter, which should give a clear indication of whether recommendations are accepted or not. Both letters are published with Committee papers for transparency. If a Scrutiny Committee has an ongoing interest in a subject they will often ask for a progress update on implementation of recommendations.

68. The Council is entering into an increasing number of collaborative scrutiny arrangements with its partners. Notable examples currently underway are the Prosiect Gwyrdd five Council Joint Scrutiny Panel and the Cardiff Partnership Joint Scrutiny Panel. Plans to develop joint scrutiny committees to ensure democratic accountability of regional social care and schools improvement consortia are underway.

69. In January 2015, a project brief for Improving Scrutiny was presented to the Governance and Member Engagement Programme Board. The purpose of the Project is to ensure that scrutiny remains agile and able to play its role as a critical friend, in an environment that will see greater emphasis on partnerships, collaboration, commissioning and other alternative delivery models.

70. The project looks to take forward the learning from the Council's participation in the 2013 Wales Audit Office Improving Scrutiny Study; and to assess and make recommendation on the structures and arrangements that will be most appropriate to manage the scrutiny of the Council's transformation over coming years. The Project is being undertaken in participation with the Centre for Public Scrutiny, a charity providing expertise and capacity in non-executive governance, the Council is one of nine major case studies featured in a UK wide analysis of local authority transformation.

71. A project plan has been agreed along with a number of actions to be undertaken through 2014/15, some of which have already been undertaken including; Scrutiny Chairs' Liaison Forum, the Centre for Public Scrutiny interviewed key project stakeholders from senior officers through to members and desk top research has been undertaken. It is anticipated that the project will conclude in the summer of 2015. A Scrutiny Inquiry Report will be drafted in April 2015 and finalised in May, which will then be submitted to Cabinet. The timescales in place will enable managers to implement arrangements in time for the start of the 2016/17 financial year.

72. In addition to the Council's five Scrutiny Committees the Audit Committee provides a role in challenging and scrutinising the Council's governance, risk management and internal control arrangements. The work of the Audit Committee is very much informed by the work of the Internal Audit Team. The Audit Committee have very much enforced the work of the Internal Audit team, by writing to the Chief Executive or relevant Scrutiny or Cabinet Members, following reports which have been presented to the Committee. The Audit Committee were also supportive of the Audit Manager in writing to all Directors to reinforce the message of financial conduct and internal control at a time of severe financial pressures.

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73. Following the Organisational Development Plan report to Cabinet in May 2014, the Chief Executive instigated the Cardiff Manager Programme, currently being rolled out and delivered to middle managers across the Council. The programme will provide a benchmark of expectations placed on management which will enable managers to make informed and transparent decisions. There are a number of themes delivered across the programme; specifically the Audit Manager will be delivering two sessions to each cohort on the management of risk and decision making and compliance in context with Council procedure rules, such as Financial Procedure Rules. Cohorts commenced on the programme in the autumn of 2014 and will continue into 2015/16.
74. Further initiatives have commenced in 2014/15 to drive out consistency in the standards applied across the Council. E-learning modules are being developed around the management of risk and how to deal with instances of fraud; both of which will reinforce the message of the high standards expected of all staff.
75. The Audit Committee in January 2015 approved the Senior Management Assurance Statement 2014/15 to inform this statement, which will be completed by Directors at the year end position and challenged by the Audit & Risk Manager. Amendments have been made; specifically the emphasis has been on internal control and compliance and an additional question on Personal Performance and Development Reviews.
76. Work is continually ongoing to review the extent to which risk management is becoming embedded within the Council. The Council has a Risk Management Steering Group which is made up of Directors, a Member Risk Champion and dedicated officers from Internal Audit, Insurance, Improvement & Information Management and Partnership & Citizen Focus. Councillor Graham Hinchey is the nominated Member Risk Champion and the Corporate Director Resources has continued as Senior Officer Risk Champion through 2014/15.
77. During the financial year the group have focused on a number of key themes, comparison exercises have been undertaken to those within the Core Cities Group. The findings have been presented to the Steering Group, the exercises have focused on Corporate Risks, Risk Management Partnership Protocols and Risk Appetite Statements. Following the research the group will oversee the development of a Risk Management Partnership Protocol to supplement the Risk Management Policy, Strategy and Methodology; and the development of a Risk Appetite Statement in 2015/16.
78. In September 2014 the Steering Group were presented with an Internal Audit report of the Council's Risk Management arrangements, which identified good practice in many aspects of managing risks. An overall satisfactory audit opinion was provided and an Action Plan setting out a few recommendations to enhance existing arrangements, which are being overseen by the Steering Group e.g. the development of a Risk Appetite Statement which will be taken forward in 2015/16.
79. The work of the Risk Management Steering Group is cascaded to the network of Risk Champions who assist with identifying, assessing and managing risks at a Directorate level.
80. The Council has a Risk Management Policy, Strategy and Methodology, which was last reviewed in 2013/14. The Cabinet approved the revised document on 13 March 2014.
81. A Corporate Risk Register (CRR) is maintained which highlights the strategic risks facing the Council. The CRR is reviewed by SMT quarterly and by the Audit Committee and Cabinet on a six monthly basis. Each year an assessment is undertaken to cross reference the CRR to the Corporate Plan which incorporates the strategic objectives. This forms the focus for senior managers in identifying their business risks, as detailed in their Directorate Delivery Plans.

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82. All major programmes and projects are required to develop and maintain an up to date risk register as an integral part of the Project Quality Assurance (PQA) process.
83. Risk assessment continues to be a key strand to the Budget Strategy where risks are considered as a factor in allocating resources.

Developing the capacity and capability of Members and Officers to be effective

84. The Council aims to ensure that Members and Officers have the skills, knowledge and capacity required to discharge their responsibilities. The Council recognises the value of well trained, competent people in effective service delivery. All new staff and Members attend an induction programme to introduce them to the Council and its values, objectives, policies and procedures.
85. Under the principle 'Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour' details of Member training is noted which is co-ordinated by the Democratic Services Team. The Council provides a Member development programme which includes both mandatory (Code of Conduct, Planning) and discretionary elements. During 2012/13 a mentoring programme was put in place for Members to support each other.
86. The Council operates a Personal Performance and Development scheme through which each member of staff has regular structured opportunities to discuss their objectives, performance against those objectives, and their development needs and aspirations.
87. The Council provides targeted management development programmes including the Sustainable Leaders Programme, and is developing its approach to talent management.
88. The Cardiff Council Academy demonstrates a clear commitment to investing in staff as we make significant changes across the organisation. Supported by the Trade Unions, plans are in place for a programme of learning and development courses that will provide staff at all levels with opportunities to strengthen their existing skills and develop new skills.
89. Senior officers and those involved with financial and procurement matters are expected to comply with the system of financial management within the Council, which is based on a framework of regular management information, Financial Procedure Rules, Contract Standing Orders and Procurement Rules. The rules underpin the Council's Constitution and a system of delegation and accountability.
90. In some areas compliance with Council rules has been identified as an issue and training has been delivered to Managers in those areas and continues to be offered on an ongoing basis. A number of training sessions specifically covered the Contract Standing Orders and Procurement Rules. A training programme has been delivered to Governing Bodies, Head Teachers and Financial Staff specific to the Financial Procedure Rules for Schools and was generally well attended.

Engaging with local people and other stakeholders to ensure robust public accountability

91. The Council's planning, decision making and scrutiny processes facilitate public involvement providing opportunities for the views of local people to inform decisions. Full Council meetings include a facility for public questions, and the Council's Scrutiny Committees invite stakeholder contributions to their scrutiny programme, both through research and consultation exercises and through direct access to address Committees.

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92. In October 2014, the Cabinet agreed a renewed set of Co-operative Values for the organisation, focusing on fairness, openness and working together. The values mention specifically the importance of being “open and honest about the difficult choices we face, and leading a debate where people can have their say on what’s important to them and their communities.” Greater consultation, engagement and joint working with citizens are at the heart of these values, particularly being an Open Council.
93. The Cardiff Debate was launched with partners in June 2014 as a three year ‘conversation’ about the future of public services in Cardiff.
94. The first phase of engagement involved 37 events across the city, covering every Neighbourhood Partnership area and ward. The events involved a combination of ‘on-street’ sessions which were at existing community events, festivals or at community facilities such as supermarkets and a number of ‘Drop-In’ Workshops. The sessions focussed on which services mattered most; how the public service can save money and do things differently; and how can the community get more involved.
95. Interest in the events was high with over 3000 postcards completed by the public and over 6,600 ‘votes’ cast on people’s top three services. A full report of the results and findings of Phase 1 can be found at <http://cardiffdebate.co.uk/reports-and-information/>
96. As part of the Cardiff Debate work, the Council and its partners have collected citizen vox pops on what people think are priorities and a new website has been established for people to give views. Social media is also being utilised to both encourage discussion, promote engagement events and share findings - @Cardiff Debate.
97. In light of the difficult budget decisions require, the Council has undertaken its largest public consultation on the budget proposals to date. City-wide proposals were published by neighbourhood areas within the ‘Changes for Cardiff’ consultation so the public could understand the full impact of the proposed budget savings in their community.
98. A wide range of mechanisms were used to promote the consultation including a short video on the ‘£124m budget challenge’, 10 engagement events, partners, libraries, leisure centres, community centres, Citizen’s Panel, social media etc.
99. At the end of the consultation 4,191 questionnaire responses were received, over 500 attended events, 766 communications received, 91,418 views of the budget webpage and 20,000 people signed petitions representing a high level of engagement in the consultation. A full report on the consultation process and results can be found at www.cardiff.gov.uk/budget
100. The Council continues to provide a webcasting service to watch live meetings, download relevant documents or presentations discussed. The service is designed to be as easy to use as possible so once the meeting is archived an agenda item can be selected to view the discussion. Webcasting means it is easier than ever before to see how the Council works and decisions made, whilst also giving the public the chance to feedback on items being discussed.
101. Scrutiny meetings are held in public, annual reports published by each of the Council’s five Scrutiny Committees are presented to Council. Scrutiny reports and inquiries are published on the Council website. Scrutiny in-depth inquiries often include large scale surveys of public opinion on specific issues, and also take detailed evidence from academic experts, public and third sector leaders on topics of their expertise.
102. Arrangements for consultation and for gauging the views of local people include the Citizen’s Panel, the Ask Cardiff Survey, service specific consultations, and processes to receive and respond to petitions and community referenda. Consultations undertaken by Directorates are in accordance with the Council’s Corporate Consultation Strategy.

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103. All reports, minutes and decision registers are published in a timely manner and are open for inspection. All meetings are held in public, subject to the consideration of exempt information as defined by the Local Government Act 1972.
104. Elected Members engage with local residents in a number of ways as part of their community leadership role, including ward correspondence, newsletters, ward surgeries, public meetings and bringing forward petitions to Council meetings which have been submitted by local people. The Council is also actively developing Neighbourhood Management arrangements to facilitate the engagement of local people and other stakeholders in the identification of local priorities and solutions.
105. A budget engagement process was undertaken to inform the 2014/15 budget proposals which included engagement events, an on-line budget strategy tool and consultation on the detailed proposals.
106. The Council publishes a newsletter 'Capital Times' which is distributed to every home in Cardiff providing up to date information on the Council's vision and priorities.
107. Performance against the Council's targets and objectives is reported publicly on a quarterly and annual basis.
108. Institutional stakeholders, to whom the authority is accountable to include the Welsh Government and External Auditors (Wales Audit Office). Regular meetings are held with representatives from both organisations to ensure effective working relationships are in place.
109. To ensure staff are consulted and involved in decision making, various channels of communication are used including the Chief Executive's Update, joint updates from the Leader and Chief Executive, Core Brief, 'Our News' newsletter and 'Your Inbox' circulars.
110. The Authority regularly engages in consultation with the Trade Unions. Consultation with the Trade Unions has taken place through 2014/15, particularly with regards to the budget saving proposals which were considered in advance of the Cabinet meeting. In addition, detailed negotiations in respect of the Budget Strategy planning assumption in relation to reductions in employee costs were completed in January 2015 with the agreement of the Partnership for Change Memorandum of Understanding. This document was considered by Cabinet on 26 January 2015 and will prepare the way for continued negotiations between the Council and trade unions to conclude by 31 July 2015.

Review of Effectiveness

111. Regulation 4 of the Accounts and Audit (Wales) Regulations 2005 requires authorities to carry out an annual review of the effectiveness of the system of internal control which is informed by:
 - The senior managers within the Authority who have responsibility for the development and maintenance of the internal control environment;
 - The opinion of the Audit Committee;
 - The outcome of any Scrutiny reviews;
 - Views or comments from any Committee, the Cabinet or Council;
 - The work of the Internal Auditors;
 - The external auditors and other review agencies and inspectorates.

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An Internal Control Self Assessment

112. At the year end position Directors are required to complete a Senior Management Assurance Statement, reflecting on the internal control arrangements within their Directorate. Management teams are responsible for monitoring and reviewing internal controls as an integral part of the risk management process. Any significant issues will be highlighted in the Assurance Statement.
113. Building on previous work of the Annual Governance Statement 2013/14, Internal Audit following year end will facilitate an update of the 'Significant Governance Issues'. Directors are asked to consider any outstanding significant issues and either close these, where action has been taken, or update them where the issues are ongoing.
114. Any new issues captured on individual Senior Management Assurance Statements, which also feature on the CRR, will not be listed in the issues log but instead managed through the CRR review process so to avoid duplication in the review process.

Assurance Mapping

115. During a period of unprecedented financial challenges the Audit Manager is aware of how resources are stretched across Directorates, which will continue to become even more of a challenge in 2015/16. The Audit Manager has set about identifying what Regulators and Other Inspection Bodies are engaging with Directorates. This information will be used to build and develop an Assurance map to provide an overview of the work of others, which may contribute to providing assurance in relation to governance, risk and internal control matters. This will help shape future Internal Audit priorities and impact on the work and timing of the Internal Audit team, which should seek to provide greater assurance in some areas, avoid duplication and ease the pressures on Directorates, in dealing with those who seek to provide independent assurance on Council functions.
116. Evidence has been collated to inform this Assurance mapping exercise at the financial year end which captures the key information presented to Cabinet and Committees of the Council. The aim of the exercise is to ensure all key sources of assurance can be captured in this statement. Work has also started to determine where the work of others seeks to provide assurance around the mitigation of corporate risks as set out in the Corporate Risk Register. This again will help provide assurance to senior management understanding where others are contributing to mitigation of these strategic risks and can help to shape audit plans and priorities to maximise the use of this resource.

External Audit and Inspection

Wales Audit Office

117. The Council is subject to Statutory External Inspections by various bodies including the Wales Audit Office, ESTYN and Care and Social Services Inspectorate Wales.
118. Annually the Wales Audit Office produces an Annual Improvement Report based on an assessment of the Council's arrangements to secure continuous improvement through the delivery of services.
119. During the financial year 2013/14 the Wales Audit Office commenced a 'Full Corporate Assessment' of the Council. The assessment was to provide a position statement of an improvement authority's capacity and capability to deliver continuous improvement. On 18 September 2014, the Cabinet were presented with the Wales Audit Office Corporate Assessment. The report enabled the Cabinet to review the report and consider the actions

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required to address the issues raised in the assessment. Within the report issues were raised regarding:

- Comparatively poor performance in a number of key services, with a failure of Performance Management arrangements to effect improvement;
- Governance issues relating to member support, agenda management, efficiency and transparency of decision making.
- Uncertain prospects for achieving proposed savings from 2014-15, and responding to future funding levels;
- Inconsistent application of core processes such as Personal Performance & Development Reviews and Sickness Absence management, and an associated lack of holding employees to account for these issues;
- Weak management of land and property assets.

120. The majority of the issues raised in the Wales Audit Office report had been identified in the Chief Executive's report approved by Cabinet in May 2014 addressing the challenges facing the Council, and setting out the Organisational Development Programme through which to secure continuous improvement in both systems and services. The Programme remains central to the Council's approach to addressing the issues reported by Wales Audit Office, with some strengthening of the plan being undertaken to ensure all key issues are addressed.
121. In the case of the Corporate Assessment for the Council, the Auditor General made one proposal for improvement, in that 'the Council ensures the implementation of its Organisational Development Plan resolves the range of issues identified in this assessment'.
122. The Wales Audit Office have been monitoring progress through out the financial year and intend to undertake a further inspection in 2015/16 to assess progress.

Internal Audit

123. The Council operates an independent Internal Audit function whose role is to review internal control arrangements. This function has operated under the requirements of the Public Sector Internal Audit Standards which came into effect on 1 April 2013.
124. The Audit Manager is responsible for providing an independent opinion on the adequacy and effectiveness of the systems of internal control, based on the work undertaken by the section. The Authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).
125. The Audit Manager is responsible for the efficient and effective delivery of an audit and investigatory service and reports to the Section 151 Officer, but also has the authority, as appropriate, to report in his own name and has direct access to all Council Officers and Members. The Audit Manager post has been undertaken on a job share basis since April 2011. Managers are required to consult with Internal Audit in relation to any system changes or developments where the internal control environment may be affected.
126. Based on the programme of audit and investigatory work undertaken and contributions to preparing some of the key governance documents i.e. Corporate Risk Register and the Annual Governance Statement, it is considered that overall the framework for financial control within the Council, for the financial year 2014/15, is

Audit Committee

127. Based on the evidence presented to the Audit Committee during 2014/15, the opinion of the Committee is

ANNUAL GOVERNANCE STATEMENT 2014/15**Other Sources of Assurance**

128. Information to be drawn on from the sources relayed in Appendix A at the end of the financial year.

Significant Governance Issues

129. The following table highlights the significant issues arising from the review of internal control and details the action being taken to deal with them. As previously mentioned issues identified which also feature on the Corporate Risk Register will not be captured in the below table to avoid duplication in the review process.

Issue	Action	Responsible Officer
Issues raised at Year End 2014/15		

Monitoring

130. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Certification by the Leader of the Council and the Chief Executive

131. The Council's Section 151 and Monitoring Officers are content that the process followed has been robust and has ensured the engagement of the Council's Senior Management Team.

132. We have been advised, by the Council's Section 151 and Monitoring Officers, on the implications of the review of effectiveness based on the systems of internal control. There are plans to provide improvements in review processes and address weaknesses to ensure continuous improvement of the system of internal control.

133. On the basis of this process, the legal and financial advice of the statutory officers, the Council's Policies and working arrangements we certify that we approve the Annual Governance Statement 2014/15.

Councillor Phil Bale, Leader of the City of Cardiff Council
Date:

Paul Orders, Chief Executive
Date:

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2015 Audit Plan

City of Cardiff Council

Issued: March 2015

Document reference: 179A2015

Status of document

This document has been prepared for the internal use of City of Cardiff Council as part of work to be performed in accordance with statutory functions.

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2015 Audit Plan

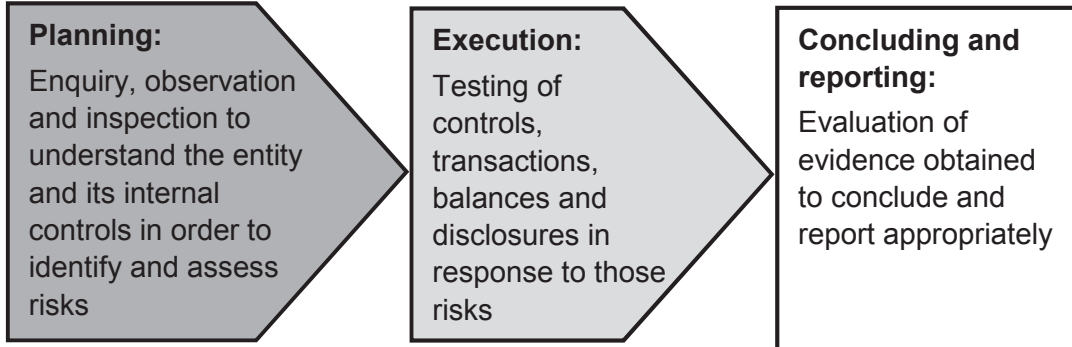
Summary

1. As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice, namely to:
 - examine and certify whether your financial statements are ‘true and fair’;
 - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
 - audit and assess whether you have discharged duties and met the requirements of the Measure; and
 - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
2. The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
3. There have been no limitations imposed on me in planning the scope of this audit.
4. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Financial audit

5. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their ‘truth and fairness’.
6. I also consider whether or not the City of Cardiff Council (the Council) has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
7. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: My audit approach



8. The risks of misstatement which I have identified through my initial audit planning work are set out in **Exhibit 2** along with the work I intend to undertake to address them.

Exhibit 2: Financial audit risks

Financial audit risk	Proposed audit response
<p>Financial Challenges</p> <p>The Council continues to face significant financial challenges in common with the rest of the public sector. These financial pressures increase the risk of manipulation of balances in the financial statements to achieve the projected year-end position.</p>	<p>My audit team will reflect the Council's financial position in planning the audit and will direct audit testing to the areas of greatest risk.</p>
<p>Voluntary severance scheme</p> <p>The need to make financial savings in recent years has resulted in significant reduction in staff numbers, with more scheduled to leave in 2014-15. There are risks that, with a significant number of staff leaving, there will be insufficient focus on the operation of key financial and management controls and that the cost of the voluntary redundancy scheme will not be correctly reflected in the accounts.</p>	<p>My audit team will review key controls for material financial systems to ensure controls are still effective and ensure that all costs associated with the departures are captured accurately within the service expenditure areas and provisions.</p>
<p>Fraud risks</p> <p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business.

Financial audit risk	Proposed audit response
<p>There is also a potential risk of misstatement due to fraud in revenue recognition.</p>	<p>My audit team will evaluate if there is a risk and if so which types of revenue give rise to such risks, obtain an understanding of the Council's related controls relevant to such risks and carry out focused testing of balances where appropriate.</p>
<p>Financial statement risks</p>	
<p>Accounting for schools For 2014-15 CIPFA has provided updated guidance on the accounting arrangements for local authority maintained schools. There is a risk that the new guidance will not be fully adopted by the Council and that the accounts will therefore be misstated.</p>	<p>My audit team will review the work undertaken to ensure the guidance has been adopted and that the relevant accounting entries are correct.</p>
<p>Joint working The Council has entered into a number of joint working/collaboration arrangements eg, Education through regional working. There is a risk that these arrangements will not be correctly disclosed in the Council's statement of accounts.</p>	<p>My audit team will review the work undertaken to identify and classify all such arrangements and to ensure that, if required, they are correctly reflected in the statement of accounts.</p>
<p>Potential holiday pay accruals Recent European and UK case law has changed the way employers must calculate holiday pay to include overtime, shift allowances etc, where applicable. There is a risk that the potential impact of this change has not been evaluated by the Council to consider whether a provision should be made for potential backdated claims.</p>	<p>My audit team will review what has been done by the Council to evaluate its potential exposure to backdated claims.</p>
<p>Cardiff Harbour Authority As harbour authorities are statutory undertakings, they are required to produce separate annual statements of account. There is a risk that, in this first year of preparation, the accounts will not be produced in line with Companies Act requirements.</p>	<p>My team will work with your officers to discuss the accounting requirements of the Harbour Authority and audit the accounts produced.</p>

9. I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The level at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.

-
10. For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of five per cent of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
11. My fees are based on the following assumptions:
- access will be provided to all information that management is aware of that is relevant to the preparation of the financial statements together with any additional information we may request to support the audit;
 - information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
 - all appropriate officials will be available during the audit and we will have unrestricted access to officers from whom it is necessary to obtain audit evidence;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
12. In addition to my responsibilities in respect of the audit of the Council's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts.

Certification of grant claims and returns

13. I have been requested to undertake certification work on the Council's grant claims and returns as set out in [Appendix 2](#).
14. My estimated audit fee for this work is set out in [Exhibit 6](#).

Overall issues identified

15. [Exhibit 3](#) summarises the more significant and/or recurring issues I identified when undertaking grant certification work in 2013-14.

Exhibit 3: Overall issues relating to grant claim and return certification

Qualified grant claims and returns qualified in 2013-14

Of the 2013-14 grant claims and returns that we certified we qualified nine, compared to 13 in 2012-13. This represents 39 per cent of the total, which was an improvement on the 42 per cent qualified in 2012-13. The main issues on which we qualified concerned the lack or quality of supporting evidence and ineligible expenditure, particularly relating to third parties participating in the grant schemes.

Effectiveness of grant co-ordination arrangements

Sixty-nine per cent of claims and returns for 2013-14 that required certification were submitted on time, a decline in performance from the 100 per cent received in 2012-13. The majority of claims were delivered with working papers of an acceptable standard.

Performance audit

16. I am required by the Measure to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with requirements to make arrangements to secure continuous improvement. I must also carry out audits of whether the authority has discharged its duties under the Measure. My improvement assessment work, combined with my work on financial matters, also discharges my responsibility to satisfy myself that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
17. I am also required under the Measure to undertake periodic corporate assessments at each improvement authority. Since 2013-14, I have undertaken this programme of corporate assessments on a cyclical basis. Currently I have agreed with the Welsh Government that I may use the grant that I receive from the Welsh Government to fund the corporate assessment. This means that, in addition to fee-funded improvement assessment and audit work, each authority will receive an in-depth corporate assessment once during a four-year period. In the intervening years, I will maintain a 'light-touch' overview of developments and of the progress made by the authority. In the event of emerging issues of concern or matters of priority, I do reserve the flexibility to undertake a more frequent corporate assessment.
18. I set out in this section the 12-month programme of performance audit work to be undertaken at the Council. The content of the programme has been determined by a consideration of the risks and challenges facing the Council, the extent of accumulated audit and inspection knowledge, including that of other external review bodies, as well as other available sources of information including the City of Cardiff Council's own mechanisms for review and evaluation.
19. The components of my performance audit work are shown in [Exhibit 4](#) and have been designed in order to help deliver the high-level objectives set out in our 2013-2016 corporate strategy (www.wao.gov.uk/publication/wales-audit-office-corporate-strategy-2013-2016).

Exhibit 4: Components of my performance audit work



20. The performance work I propose to undertake is summarised in [Exhibit 5](#).

Exhibit 5: Contents of my 2015-16 performance audit work programme

	Specific projects
Improvement audit and assessment	<p>‘Improvement plan’ audit Audit of discharge of duty to publish an improvement plan.</p> <p>‘Assessment of performance’ audit Audit of discharge of duty to publish an assessment of performance.</p> <p>Financial management review Further work on financial management arrangements following up our 2014-15 review, and looking forward to 2016-17 budget setting and savings proposals. There will also be a focus on the reserves position, policy and use of reserves. Further work to be determined in relation to the Corporate Assessment Follow-up.</p> <p>Governance review To be determined in relation to the Corporate Assessment Follow-up.</p> <p>Performance management review To be determined in relation to the Corporate Assessment Follow-up.</p> <p>Locally determined review(s) To be determined in relation to the Corporate Assessment Follow-up.</p>

Specific projects	
Follow-up work	I will maintain a focus on assessing the progress that has been made in implementing recommendations from my previous work. As part of this work, I will seek assurance that the Council has appropriate corporate processes for responding to my reports, tracking implementation of my recommendations and reporting this to the appropriate committee. Specific follow-up work to be determined in relation to the Corporate Assessment Follow up.
Local government studies	At the time of writing, the results of consultation are being considered before the studies programme is finalised.
Good practice	In line with my commitment to identify and share good practice, I will continue to host shared learning seminars, identify relevant case studies and focus my work on identifying and promoting effective practice.

21. The performance audit projects included in last year's Audit Plan, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 3](#).

Fee, audit team and timetable

Fee

22. Your estimated fee for 2015 is set out in [Exhibit 6](#). This figure represents a 2.5 per cent decrease compared to last year's fee.

Exhibit 6: Audit fee

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Financial audit work ¹	312,284	323,288
Performance audit work ²	108,774	108,774
Total fee	421,058	432,062
Estimated Grant certification work ³	111,000	110,322

Notes:

¹ Payable November 2014 to October 2015 (excludes Cardiff Harbour audit).

² Payable April 2015 to March 2016.

³ Payable as work is undertaken.

23. Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.
24. Further information on my fee scales and fee setting can be found on the Wales Audit Office website at: www.wao.gov.uk/about-us/fee-scales-and-fee-setting.

Audit team

25. The main members of my team, together with their contact details, are summarised in [Exhibit 7](#).

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you.

Exhibit 7: My team

Name	Role	Contact number	E-mail address
Ann-Marie Harkin	Engagement Director/ Engagement Lead – Financial Audit	02920 320500	Ann-Marie.Harkin@wao.gov.uk
Alan Morris	Engagement Lead – Performance Audit	02920 320500	Alan.Morris@wao.gov.uk
Janet McNicholas	Financial Audit Manager	02920 872259 02920 872258	Janet.Mcnicholas@wao.gov.uk
Emma Woodcock Roy Blake	Financial Audit Team Leaders	02920 872259 02920 872258	Emma.Woodcock@wao.gov.uk Roy.Blake@wao.gov.uk
Non Jenkins	Performance Audit Manager	02920 320500	Non.Jenkins@wao.gov.uk
Chris Pugh	Performance Audit Lead	02920 320523	Chris.Pugh@wao.gov.uk

26. I can confirm that my team members are all independent of the City of Cardiff Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

27. I will provide reports, or other outputs as agreed, to the Council covering the areas of work identified in this document. My key milestones are set out in [Exhibit 8](#).

Exhibit 8: Timetable

Planned output	Work undertaken	Report finalised
2015 Audit Plan	January 2015 to March 2015	March 2015
Financial accounts work: <ul style="list-style-type: none"> Audit of Financial Statements Report Opinion on Financial Statements Annual Audit Letter Financial Accounts Memorandum 	February to September 2015	September 2015 September 2015 November 2015 November 2015

Planned output	Work undertaken	Report finalised
Performance work: <ul style="list-style-type: none"> Improvement plan audit Assessment of performance audit 	(Estimated) March to April 2015	(Estimated)* April 2015
<ul style="list-style-type: none"> Financial management review 	October to November 2015	November 2015
<ul style="list-style-type: none"> Governance review Performance management review Locally determined review(s) 	June to October 2015	December 2015
	To be determined in relation to the Corporate Assessment Follow-up	To be determined in relation to the Corporate Assessment Follow-up
Annual Improvement Report	2015-16	March 2016
2016 Audit Plan	January to March 2016	March 2016

* Subject to timely clearance of draft findings with the Council.

Appendix 1

Respective responsibilities

Financial audit

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- Their 'truth and fairness', providing assurance that they:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with the statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- The consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether the City of Cardiff Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- the City of Cardiff Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect the City of Cardiff Council's financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and

-
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the City of Cardiff Council from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Performance audit

The Measure places a general duty on improvement authorities to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. I must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

To discharge the requirements of the Measure I undertake periodic corporate assessments at each improvement authority. Since 2013-14, I have undertaken this programme of corporate assessments on a cyclical basis. Currently I have agreed with the Welsh Government that I may use the grant that I receive from the Welsh Government to fund the corporate assessment. This means that, in addition to fee-funded improvement assessment and audit work, each authority will receive an in-depth corporate assessment once during a four-year period. In the intervening years, I will maintain a 'light-touch' overview of developments and of the progress made by the authority. In the event of emerging issues of concern or matters of priority, I do reserve the flexibility to undertake a more frequent corporate assessment.

I may also in some circumstances carry out special inspections (under section 21), in respect of which I will provide a report to the relevant authorities and Ministers, and which I may publish (under section 22). I will summarise audit and assessment reports in my published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

In addition to my programme of audit and assessment work under the Measure, I undertake a programme of Local Government Studies as required under sections 41 and 42 of the Public Audit (Wales) Act 2004. This work is not included within the local performance audit fee, but is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund.

Appendix 2

Summary of grant claim certification work

Name of scheme	Period of scheme	Value of claim 2013-14 £
Housing benefits subsidy	2014-15	151,627,077
Schools effectiveness and pupil deprivation grant	2014-15	7,219,581
Transitional SBIG (21st century schools)	2014-15	27,451,000
Learning Pathways	2014-15	1,182,343
Welsh in education	2014-15	178,158
Flying Start	2014-15	6,773,175
Flying Start capital	2014-15	1,546,133
Families First	2014-15	5,304,597
Substance Misuse Action Fund	2014-15	3,646,618
HRA Subsidy	2014-15	14,898,985
National Domestic Rates return	2014-15	176,853,700
Sustainable waste management	2014-15	7,585,511
Land Drainage	2014-15	343,298

Name of scheme	Period of scheme	Value of claim 2013-14 £
Teachers pension return	2014-15	26,109,667
Communities First – new programme	2014-15	2,488,431
Cardiff Bay and Harbour Authority	2014-15	7,585,511
Social care workforce development programme	2014-15	830,761
Free concessionary travel	2014-15	11,426,392
European convergence grant – Butetown	2007-2013	323,000
European convergence grant – Novus	2007-2013	917,321

Appendix 3

Performance work in last year's audit outline still in progress

Performance audit project	Status	Comment
Annual Improvement Report (AIR)	Not started	The report summarising all of the Improvement Assessment performance audit work is likely to be completed in April/May 2015.
Corporate Assessment follow-up	Not started	The timing for the Corporate Assessment follow-up is currently being considered. The work will take place during the 2015-16 financial year.
Local Government study: Independence of Older people	Ongoing	Field work is scheduled to finish during March 2015, with reporting anticipated in July or August.
Local Government Study: Delivering with Less – Leisure Services	Ongoing	Field work is scheduled to finish during March 2015, with reporting anticipated in July or August.
Financial Resilience Assessment	Ongoing	Work is scheduled to be reported in April 2015.

Appendix 4

National value-for-money studies

The City of Cardiff Council may also be interested in the national value-for-money examinations which I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are funded by the National Assembly and are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure.

The table below covers all of the value-for-money studies work currently programmed, although some of this work is still at an early stage of development. The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. I will shortly be considering and consulting on potential topic areas for future value-for-money studies to start, and potentially in some cases to be reported, in 2015-16.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

Topic	Anticipated publication timeframe
GP prescribing	April to June 2015
Welsh Government investment in next generation broadband infrastructure	April to June 2015
Regional education consortia	April to June 2015
Welsh Government acquisition of Cardiff Airport	April to June 2015
Rail services	April to June 2015
Orthopaedic services	April to June 2015
NHS clinical coding	Summer 2015
NHS waiting lists and private practice	Summer 2015
Picture of public services	Autumn 2015
Development of Natural Resources Wales	Autumn 2015
Regeneration Investment Fund for Wales ²	To be confirmed
Wales Life Sciences Investment Fund ³	To be confirmed
Flood and erosion risk management (likely to focus on coastal flooding)	To be confirmed

² While in clearance, the timescale for publication is uncertain for reasons specific to the project.

³ While in clearance, the timescale for publication is uncertain for reasons specific to the project.

Topic	Anticipated publication timeframe
Early intervention and public behaviour change ⁴	To be confirmed
Welsh Government interventions in local government ⁵	To be confirmed
Welsh Government responses to audit recommendations	To be confirmed
Public procurement and the National Procurement Service	To be confirmed

⁴ In the short term, development of a new picture of public services report will take priority over this work. However, the picture of public services report is likely to reflect on these themes in some way. Wales Audit Office staff will also be exploring opportunities to take forward work in this area as part of our good practice exchange programme.

⁵ Plans for this work are being revisited in light of the Welsh Government commissioned review of the Anglesey intervention by the Public Policy Institute for Wales and to take into account any wider implications arising from the local government reform programme.

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**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**

AUDIT COMMITTEE: 23 MARCH 2015

**TREASURY PERFORMANCE REPORT AS AT 28 FEBRUARY
2015**

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 7.1

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

Reason for this Report

1. To provide Audit Committee Members with performance information and a position statement on Treasury Management as at 28 February 2015 and highlight key changes from the previous report received as at 31 December 2014.

Background

2. The report attached at Appendix 1 provides the Committee with a snapshot of treasury performance, position statements on investments and borrowing. The report shows little change from the previous position.

Performance

3. Interest income on investments and external interest payable remains as forecast in the Month 9 budget monitoring report. External interest payable reflects an underspend due to deferral of the timing of borrowing in the current financial year. Based on the forecast level of external borrowing, without any further external borrowing during the year, the level of internal borrowing at 31 March 2015 is projected to be £25 million. This is based on progress of capital schemes and changes in assumptions around funding of capital schemes for the year ending 31 March 2015. The completed internal audit review of Treasury Management processes has shown no significant risk areas to address.

Investments

4. Pages 2 and 3 of the Performance Report consider the position on investments. The charts on the Performance Report show the position at a point in time and investments continue to be closely monitored.
5. The current investment list details each investment, the interest rate, the start date and maturity date. It also links this back to the credit criteria

approved by Council in February 2015 by a colour coding which indicates the perceived strength of the organisation.

6. 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.
7. 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

8. Borrowing of £5 million was taken during October at the rate and period set out in the report. Accordingly, at 28 February 2015, the total level of borrowing is £472 million. With loans to the value of circa £2 million to be repaid in the last month of the year, without any further borrowing, the forecast level of external borrowing at 31 March 2015 is £470 million. There is unlikely to be further borrowing in 2014/15.
9. In conjunction with the Council's treasury advisors we will in 2015/16 consider the Welsh Government's proposal for local authorities to take borrowing for 21st Century Schools projects at what is termed the Project Rate. This rate is 0.40% less than the quoted PWLB rates.
10. The next Audit Committee will receive reports on benchmarking of treasury activities as well as confirmation of the final position reached and treasury management implications of the Housing Revenue Account Subsidy System 'buy out' which is still expected to take place on 2 April 2015.

Reason for Report

11. To provide Audit Committee Members with an update on the treasury management position as at 28 February 2015.

Legal Implications

12. No direct legal implications arise from this report.

The Committee is reminded of its statutory functions, which are to:

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

Financial Implications

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

RECOMMENDATIONS

14. That the Treasury Performance Report for 28 February 2015 be noted.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
6 March 2015

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

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Agenda item 7.1 – Treasury
Management Performance Report –
Appendix 1

CONFIDENTIAL DOCUMENT

*Appendix 1 to the report contains
exempt information as defined in
Section 100(l) (1A) of, and
paragraphs 14 & 21 of Part 4 of
Schedule 12A to, the Local
Government Act 1972*

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By virtue of paragraph(s) 14 of Part 1 of Schedule 12A
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**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**

AUDIT COMMITTEE: 23 MARCH 2015

**PROPOSED TREASURY MANAGEMENT PRACTICES - APRIL
2015 ONWARDS**

**REPORT OF CORPORATE DIRECTOR RESOURCES
AGENDA ITEM 7.2**

**Appendix 1 of this report is not for publication due to 14 and
21 of Schedule 12A of the Local Government Act 1972**

Reason for this Report

1. To provide Audit Committee Members with the proposed Treasury Management Practices (TMP's) to apply from April 2015.

Background

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

Issues

4. The code covers controls, processes and practices in the following twelve areas:-
 - Treasury risk management.
 - Credit and counterparty risk management.
 - Liquidity risk management.
 - Interest rate risk management.
 - Exchange rate risk management.
 - Refinancing risk management.

- Legal and regulatory risk management.
 - Fraud, error and corruption, and contingency management.
 - Market risk management.
- Performance management.
 - Decision-making and analysis.
 - Approved instruments, methods and techniques.
 - Organisation, clarity and segregation of responsibilities, and dealing arrangements.
 - Reporting requirements and management information arrangements.
 - Budgeting, accounting and audit arrangements.
 - Cash and cash flow management.
 - Money laundering.
 - Training and qualifications.
 - Use of external service providers.
 - Corporate governance.
5. Internal Audit review of the TMP's as part of their periodic audit of the Treasury Function was undertaken including testing of treasury processes and systems. No significant concerns were raised.
6. The Audit Committee previously received the Treasury Management Practices in March 2014 and the main changes since that report included in this version are:
- Update for the approved 2015/16 Treasury Management Strategy and criteria for investment in the February 2015 Council budget
 - Changes in job staff roles and
 - Minor review of risk register

Reason for Recommendations

7. To note and provide comments on the proposed treasury management practices to apply from April 2015 which assists in the review and assessment of the risk management, internal control and corporate governance arrangements of the authority in relation to treasury activities.

Legal Implications

8. No direct legal implications arise from this report.

The Committee is reminded of its statutory functions, which are to:

- (a) review and scrutinise the authority's financial affairs,
- (b) make reports and recommendations in relation to the authority's financial affairs,
- (c) review and assess the risk management, internal control and corporate governance arrangements of the authority,

- (d) make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements,
- (e) oversee the authority's internal and external audit arrangements, and
- (f) review the financial statements prepared by the authority.
- (g) 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.

The Committee is recommended to consider the content of this report and the documents annexed to it and to consider any queries or comment they may wish to make in relation to the contents of the report and any recommendations made in it.

Financial Implications

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

RECOMMENDATIONS

10. Audit Committee to note the Treasury Management Practices to be implemented from April 2015, with any internal audit recommendations arising from review of these practices being implemented by the Corporate Director Resources and included in future updates to Treasury Management Practices.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
6 March 2015

The following appendix is attached

Appendix 1 – Treasury Management Practices and Appendices – Valid from April 2015

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Agenda item 7.2 – Treasury
Management Practices 2015/16 –
Appendix 1

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*Appendix 1 to the report contains
exempt information as defined in
Section 100(l) (1A) of, and
paragraphs 14 & 21 of Part 4 of
Schedule 12A to, the Local
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**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**

AUDIT COMMITTEE: 23 MARCH 2015

EXECUTIVE SUMMARY REPORT, QUARTER 4, 2014-15

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 8.1

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

Reason for Report

1. A copy of Executive Summaries for audits where there is a “Limited” or “No” Assurance audit opinion are reported to Audit Committee throughout the year.
2. The reports provide Members of the Audit Committee with an overview of areas of concern and where it is considered the internal control environment merits improvement.

Background

3. For each audit undertaken and reported, the auditor provides an overall audit opinion. This reflects on the scope and original objectives set at the outset of the audit and provides an overview of audit findings in context. This opinion is based on both positive aspects of the audit, where there is evidence to show benchmark controls are in place and followed, and negative aspects, where there are gaps in control and non compliance with Council rules or best practice processes.
4. All final reports are issued to the appropriate Director or Chair of Governors, with associated managers copied in, and with the covering email making clear the audit opinion. Those with “Limited” or “No” Assurance are highlighted. Audit Management attend Governing Body meetings when a Limited assurance audit report is being considered.
5. For all audits where there is a “Limited” or “No” Assurance opinion, a follow up visit is undertaken within six months and a new opinion will be provided based on findings at that visit. A key factor in this assessment will be the extent to which previously agreed recommendations have been implemented.

Issues

6. There is one audit report, relating to quarter 4, 2014-15, that has been given an audit opinion of Limited Assurance:
 - (a) Supervised Contact Service

There are none with No assurance.
7. The Executive Summary is attached and provides an introduction, outline purpose of the review, the main conclusions drawn from the audit, together with an overview of audit recommendations.
8. A further three audit reports issued in draft in recent weeks indicate a Limited Assurance audit opinion and Executive Summaries will be provided at the next meeting, should this opinion remain after discussing the report content and risks with client management.

Legal Implications

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

Financial Implications

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

Recommendations

11. Audit Committee note the content of this report.

Derek King/Bob Jones
Audit Manager
March 2015

The following Appendix is attached:

Appendix A: Supervised Contact Service

Agenda item 8.1 –Executive
Summary Report – Quarter 4 –
Appendix A

CONFIDENTIAL DOCUMENT

*Appendix A to the report contains
exempt information as defined in
Section 100(l) (1A) of, and
paragraphs 14 & 21 of Part 4 of
Schedule 12A to, the Local
Government Act 1972*

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CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE: 23 MARCH 2015

INTERNAL AUDIT STRATEGY 2015-16

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 8.2

Reason

1. To provide members of the Audit Committee with details of the Internal Audit Strategy for the financial year commencing 1st April 2015.

Background

2. At the commencement of each financial year, consideration is given to updating key documents which form part of the Internal Audit Strategy to set the scene for the twelve months ahead.
3. The key elements of the Strategy form the basis for service delivery and by updating key documents such as the SWOT Analysis and section Risk Register, this enables new challenges to be identified and objectives and performance measures set out for the next twelve months. This work sits alongside a risk assessment process of the audit universe to provide an outline Annual Audit Plan.
4. With continuing emphasis on risk based auditing there has been a move towards a more dynamic annual audit plan and increasingly, with the pace of change and new developments across the Council, and a constantly changing risk profile, the Annual Plan is becoming at best, a yardstick to measure performance against. The pattern is that priorities change even within a few months of the start of a new financial year and it is vitally important that Internal Audit reacts to this in prioritising its work and that there is flexibility in the Annual Audit Plan to accommodate this.
5. This will mean greater divergence over time between actual and planned work and greater reliance placed on the Audit Manager, working more closely with Directors, to ensure assignments are regularly reviewed and prioritised based on risk. This dynamism needs to be borne in mind when considering this report.
6. The Relationship Manager role, introduced last year, involves regular engagement with key stakeholders and has proved successful for both Internal Audit and Directors. The meetings will continue to ensure that new and innovative ways of delivering services are considered, along with the risks and impacts this may have on fundamental financial control.

Issues

7. The Strategy 2015-16 (Appendix A) brings together a number of key documents relating to the twelve months ahead.
8. This document includes an overview of audit resources and the role of audit, together with background scene-setting information for the 2015-16 Plan. This includes an Audit Charter, SWOT analysis, identification of key challenges and main risks faced by the service over the coming twelve months. It also sets out the Section's Service Plan for 2015-16 outlining its objectives, key tasks and performance measures. Where appropriate, separate documents have been prepared for Audit, Investigations, Risk/Governance and Project Assurance.
9. The Plan will be maintained on the audit planning and management database and used to assign audits as the year progresses. Regular monitoring will be undertaken and priorities reviewed on an ongoing basis. Regular reports will be made comparing Plan vs Actual and a number of key performance statistics.

Legal Implications

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

Financial Implications

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

Recommendations

12. To approve the content of the Audit Strategy 2015-16.

**CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES**

Appendix A: Internal Audit Strategy 2015-16

City of Cardiff Council INTERNAL AUDIT STRATEGY 2015-16



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FOREWORD

As Section 151 Officer for the City of Cardiff Council, I have responsibility for financial stewardship and to ensure that resources are used effectively to secure positive results. The severe and unprecedented budgetary pressures facing the Council has made this task even more challenging, and my statements on risk and financial resilience in the Council's budget report are important in this context.

The provision of an effective cornerstone of good governance within the Authority rests with Internal Audit and the work it does in terms of providing assurances around governance, risk management and sound internal controls. The team provides assurance that is independent and objective and as part of his review of the year the Audit Manager provides an opinion of the control environment which has been in operation.

During 2014/15 I instigated a Service Review of the Finance function, which included the Internal Audit functions, to identify if the service was able to deliver against the scale of challenges the Council is facing. The outcome of the review has resulted in an Action Plan for the service to take forward, and I have asked that the key messages from this review be captured in individual section's Delivery Plans, which will be shown as a part of this Strategy document.

I continue to support the independent activity of the Internal Audit team at a time when resources are reducing and see their role as vitally important in providing challenge within the Authority to uphold sound financial stewardship. The year ahead does present some significant challenges in terms of maintaining sound financial arrangements at a time of reducing resources across the Council and a drive to introduce new models for service delivery. Throughout this period of change compliance with Council rules and regulations will be vital and the Audit team will be key in providing assurances in these areas.

I also recognise the key role the Audit team play in relation to overseeing and contributing to the delivery of a number of key risk, governance and programme assurance documents to provide a framework to ensure high standards are attained and consistently applied.

The increasing demand for accountable public services within a complex environment has strengthened the need for effective governance. The Welsh Government's consultation 'Reforming Local Government: Power to Local People' issued in February 2015, looks to address a range of issues across local government; linked to the work of the Internal Audit team, and the consultation addresses the need to strengthen the role of each Council's Audit Committee. This will need to be monitored and any new requirements taken into account as more information becomes available.

**Christine Salter,
Corporate Director Resources (Section 151 Officer)**

Purpose of the Strategy

The Internal Audit Strategy serves a number of purposes:

- ↪ To provide an overview of the Audit service and its resources, included an updated Audit Charter and protocol;
- ↪ To identify key challenges and potential risks that the Audit service faces over the coming 12 months, based on a SWOT exercise;
- ↪ To provide extracts from the Internal Audit Service Plan to show objectives set, potential outcomes and how it is intended to measure performance during 2015-16, within available resources;
- ↪ To provide an overview of the audit work planned for 2015-16, based on assessment of risks, at the time the Audit Plan is prepared.

Audit Service Overview

Resources

Audit team – 11 FTE (1 temporary and 1 currently vacant) - which undertakes system based audits, financial audits, provides advice and guidance to clients on a wide range of matters and undertakes work around efficiency and value for money.

Investigation team – 2.3 FTE - dedicated to the prevention, detection and investigation of suspected fraud or financial impropriety.

Risk and Governance – 1.00 FTE - that champions risk management at the corporate level and facilitates completion of key governance documents.

Programme and Project Assurance – 2.0 FTE (1 temporary) – a separate team that reduces the risk in delivering major change through managing the programme and project governance framework, provision of independent assurance, identifying improvement action and skills development.

All audit staff are required to maintain the highest standards of professional practice, and comply with professional Code of Practices. For the Audit team the Public Sector Internal Audit Standard is followed in all aspects of work undertaken and many of the principles of the Standard are followed in the other teams.

The Section is managed by two CIPFA qualified Accountants, working on a job share basis, both of whom have extensive audit and finance experience. In the Audit team, there are a further 3 qualified Accountants, and most other auditors are qualified Accounting Technicians. The Investigation team is led by a Group Auditor who has the CIPFA Certificate in Investigative Practice and investigators are Professional trained investigators (PINS). The Senior Auditor (Governance and Risk) is a qualified accountant and has attained the CIPFA Certificate in Corporate Governance. The Principal and Senior Programme and Projects Auditors have appropriate qualifications and a wealth of experience in programme and project management.

An Organisational Structure, outlining staff resources, is shown on the Cardiff Information System (CIS) and is available from the Audit Manager.

In order to protect independence within the Section, one of the Audit Managers, Derek King, manages the Risk & Governance and Programme and Project Assurance functions, based within the Section and the other, Bob Jones, line manages the Pensions function.

We value the professionalism and commitment of all Auditors and Investigators, and their ongoing development and training are fundamental to the delivery of the many challenging targets that are part of the Section's overall aims and objectives. The Council's Personal Performance and Development Scheme is fully operated within Audit where all members of the team have an opportunity to consider how their skills match the roles they fulfil and how they look to meet the objectives they have been set, relating to their role. This helps to identify team and individual development and training opportunities to ensure all team members remain up to date with best professional practice.

Table 1 summarises the Audit resources available in terms of budget and staff numbers, with a trend analysis over the past 4 years.

Table 1 – Internal Audit Budget & FTE for period 2012-13 to 2015-16

Division	Budget & FTE			
	2012-13 £k (FTE)	2013-14 £k (FTE)	2014-15 £k (FTE)	2015-16 £k (FTE)
Audit	562 (14.2)	498 (13.1)	424 (11.0)	413 (11.0)
Investigations	350 (9.0)	361 (9.0)	355 (8.0)	134 (2.3)
Risk & Governance	50 (1.0)	48 (1.0)	59 (1.0)	62 (1.0)
Assurance	-	-	81 (1.8)	85 (2.0)
Total	962 (24.2)	907 (23.2)	885 (21.8)	694 (16.3)

Notes:

1. The Audit & Assurance figure assumes 2 temporary posts are extended for a further 6 months.
2. Figures reflect return to 37 hour week for 2015-16.
3. The Audit figure includes non controllable costs e.g. office accommodation in 2015-16 amounting to £49k.
4. The Investigation figures reflects the move of staff working on housing benefit fraud to DWP during 2014-15 and a reduction of 1 Senior Investigator post in 2015-16.

Staff resources have reduced on last year, with a Senior Investigator post being given up as part of budget savings. This reduction does present a challenge to the Section in terms of delivering effective audit coverage, together with additional pressure on income streams.

Service Delivery

Audit & Investigations

The Audit Charter attached at **Appendix A**, sets out the role and definition for Internal Audit and how we comply with professional standards. This also sets out the main types of work we undertake.

Our terms of reference in respect of audit and investigative work are contained in the [Council's Financial Procedure Rules at Section 4](#), which also sets out the authority that Auditors have to fulfil their roles. The Council's [Fraud, Corruption & Bribery Policy](#) also outlines the processes where there is suspected fraud or financial impropriety, where the Audit Section has a significant role.

We have developed a tried and tested Protocol over the years which sets out the audit process and reporting arrangements and our inter-relationship with our clients. The Audit Protocol is attached at **Appendix B**.

We work to Service Level Agreements which sets out the service we aim to deliver and what we expect from our clients to enable us to perform our duties effectively. A copy of the standard SLA is available on request from the Audit & Risk Manager.

Risk Management & Governance

The Section has a role to provide support to senior management in relation to embedding a sound approach to risk management across the Council, in a consistent manner that is in line with recognised good practice. The key document that sets out the approach and methodology to risk management is the Council's [Risk Management Policy and Strategy](#).

The role encapsulates many aspects of helping to embed risks but is primarily focused at a strategic level, where work concentrates on higher-level “corporate” risks that require effective control and monitoring.

The role also helps facilitate a number of other aspects of governance such as completion of the Annual Governance Statement.

The roles of audit and risk & governance are separated within the Section enabling an objective audit to be undertaken of the latter functions.

Programme and Project Assurance

The Section has a role to support the delivery of a robust framework for programmes and projects. The small team maintains the framework to deliver sound project management through PQA and supports the officers involved, through training and mentoring them in their respective roles. A PQA guidance document has been recently updated and is available on CIS.

A key element of the role within Audit is to undertake independent health checks of projects to provide assurance to senior management around sound governance and compliance with best practice.

Quality Assurance and Improvement Programme

For many years we have been proactive in introducing a wide range of measures to capture different aspects of performance, covering elements of time, cost, general performance and quality, recognising the importance of monitoring how we provide a service and seeking continuous improvement. These include:

- We maintain a database of audits to control and monitor audit priorities which provides data for a Plan v Actual analysis of performance. All staff complete timesheets with time recorded for tasks or audits every 15 minutes, allowing a detailed analysis of time spent to be produced, which can be used to focus and improve on productive time.
- Standard working practice requires that every audit assignment has to undergo a quality assurance review by a more Senior Officer and every report requires clearance before being sent. For any with Limited or No assurance these require sign off by the Audit Manager. A robust audit process has been developed over many years.
- At the conclusion of every audit a Post Audit Assessment Form is completed where both the auditor and the reviewer score elements of the audit against key competency skills and any development needs identified. In 2014-15 a “Pit stop” was introduced to ensure ongoing audits are focused on high risk areas to maximise best use of auditor time.

- For every audit we contact the respective Line Manager and a quality assurance questionnaire is completed. These are reviewed by the Audit Manager who will contact client management if any concerns are raised. This process provides clients with an opportunity to suggest any improved ways of working. Current satisfaction rating is 100%.
- All recommendations are monitored to assess the extent to which these are agreed by management as an indicator they are adding value to their business. Current satisfaction is 99%.
- All reports issued are monitored until all actions are completed and the audit “closed”.
- All audit staff have regular meetings with their manager to review their portfolio of audits and every 6 months this culminates in a formal PPD review where strengths and weakness and identified. Milestones are used to ensure effective and timely completion and issue of reports.
- We periodically undertake a separate exercise to assess the skills within the Section using a skills and competency questionnaire.
- We regularly update our Audit Charter. Audit protocol and SLA to ensure they are fit for purpose and reflects the current service demands. This helps our clients understand our processes and what we expect of them.
- Relationship Managers meet quarterly with Directors which provides an opportunity to discuss any audits completed, ongoing and planned and Directors’ views on the service provided are sought through these meetings.
- We engage with benchmarking exercises to compare performance with “like” organisations to gauge our own performance and we report on significant variances.
- We are moving to a paperless office and adopting agile working to make best use of technology and auditors time.
- We report regularly on many of the performance indicators we use and are subject to detailed scrutiny by Wales Audit Office and the Audit Committee.
- In more recent times, much work has been done to review our audit processes and procedures with ‘lean’ thinking in mind, which has resulted in a number of new initiatives which are underway, all designed to improve the efficiency and effectiveness of the services we provide. These arrangements have become formalised through the section’s Quality Assurance and Improvement Programme (QAIP) required by the Public Sector Internal Audit Standards.

- The extended management team in the section meet on a monthly basis to consider aspects of the teams improvement programme such as the development of an opportunities log to develop the efficiency and effectiveness of the team.
- Annually, the Audit Manager undertakes an annual assessment of the Section to identify areas which may be in need of improvement, which will inform the Audit Strategy for the forthcoming year. The assessment is structured around the requirements of the Public Sector Internal Audit Standards.
- Work has commenced on assurance mapping to gather any information which will provide assurance in relation to governance, risk management or internal control. This will be used to inform the risk assessment in developing the Audit Plan to avoid duplication of effort and to maximise the limited audit resource available.
- Within 2014/15 a service review was undertaken of the Finance function within the Council, the outcome of which resulted in a high level action plan for Finance but also more detailed actions for each of the teams. The Audit Action Plan will very much link to the QAIP to ensure improvement actions are implemented through 2015/16, some of which commenced in 2014/15.
- The QAIP also gives consideration to an external assessment being undertaken of the Audit Section. This is a requirement of the PSIA Standard and has to be completed every 5 years. No time has yet been set for the assessment but we are working towards this within the next 2 years. The Audit Manager has met with colleagues across other Council's in South Wales who are Heads of Internal Audit to consider undertaking a Internal Audit assessment. Research into other audit working practices and reporting protocols is also underway to identify any best practice and to learn from any external assessments already undertaken.

Key Challenges and Risks

An exercise has been carried out to produce an updated SWOT analysis reflecting on changes within the Council since the last time this was produced. A copy is shown at **Appendix C**.

From this, the key challenges thought to be facing the Internal Audit Section over the next 12 months were drawn up and are set out at **Appendix D**. Efforts have been made to focus on core business next year to deliver a high standard service and on how we can look to be more effective in the approach we adopt, given the reduction in resources at a time where we are experiencing an increasing demand for our services.

We are keen to make the best of the opportunities shown within the SWOT analysis over the next 12 months, but we also recognise a number of risks which may impact on us achieving our objectives next year. These key risks are set out in a Risk Register as shown at **Appendix E**, which will be regularly reviewed as the year progresses.

Our Aims & Target Outcomes

The main challenges and risks have helped to shape a new Internal Audit Service Plan for 2015-16. This identifies key objectives for the various teams within the Section, the key tasks and the expected outcomes from targeting the objectives as set out. It also provides insight into the performance measures used to monitor actions and key skills required to target the objectives. This is shown at **Appendix F**. Focus has been on these being SMART and deliverable to demonstrate a high standard of service delivery. Common objectives relevant to all teams have been separated out as all will be expected to strive to deliver these.

The core objectives of delivering services to a high professional standard remain key year on year but every effort has been made to introduce new objectives and tasks to enhance the service we provide, many themed around actions arising from the Service Review last autumn.

Many of the performance measures are reported to the Corporate Director Resources & Section 151 Officer and Audit Committee on a regular basis and others feature in the Annual Audit report. Audit is proactive in benchmarking with other Councils across Wales and many of the performance measures are featured in reports on performance. We intend to re-join the CIPFA Benchmarking Group to extend the comparative data we have available to us.

The Section's Service Plan links, where possible, with the Corporate Plan, which then enables a "golden thread" for individuals to set personal objectives as part of the Performance Development framework.

The Internal Audit Planning Process

Audit Approach

A risk-based approach is used for audit planning which focuses our resources on providing assurance in the areas of highest risk, while ensuring that we complete the required levels of assurance work for the Council's S151 Officer and Corporate Governance Framework.

We are in a privileged position in that we play an active role in developing the Corporate Risk Register and engage on a regular basis with service areas (the Service Area Risk Champions network) regarding their operational risks, which provides us with valuable information of key risks at any point

in time. We are also instrumental in the work that prepares the Annual Governance Statement so are aware of any significant matters arising from this and work closely with Directors in preparatory work for this.

Our annual assessment process is based on our Audit Planning database, which captures the audit universe built up over years, which in effect provides a record of all potential audits. This is maintained throughout the year with information of audits undertaken and is used to identify and provide a timeline of when audits were last undertaken.

Each year the database is reviewed for any changes made to the risk assessment for individual audits, based on current knowledge, taking account of the following factors:

Business Risk – risks from the external and internal environment, assessed by considering their likelihood of occurring and the impact that an occurrence would have. Achieved through knowledge and experience.

Financial Exposure – the total value of financial transactions, both expenditure and income, based on Audit management knowledge and experience.

Level of Internal Control – an assessment of the financial control environment based on auditors cumulative knowledge and experience of previous audit findings, new systems implementation, staff changes, recent frauds etc.

Time Since Last Audit – an acknowledgement that risk increases, where we have not reviewed services for some time.

Using these factors the audit universe is examined and a proposed list of Fundamental, High, Medium or Low risk is produced. The Plan is analysed over 3 Tiers.

Tier 1 - incorporating the fundamental financial systems and high risk governance audits. The aim will be to deliver these 100% over the 12 month cycle of the Plan.

Tier 2 - incorporating some high and medium risks including those relating to Directorates and some value for money studies. Every effort will be made to target these but much will depend on changing risk profiles etc as the year proceeds.

Tier 3 - incorporating advice and guidance and other management tasks. Again, every effort will be made to deliver on these tasks but they are most likely to “slip” if other pressures arise during the year of the Plan.

Fundamental financial systems require an annual assessment, in terms of assurance to the Corporate Director Resources & Section 151 Officer, and these are included within a “Corporate” element of the Audit Plan. The Wales Audit Office also look to rely on the work undertaken by Internal Audit in these areas. Where such fundamental systems rarely change, a full systems audit may not be considered necessary every year, but follow up work and sample testing may be considered appropriate.

The cycle for auditing will vary between Fundamental audits at 1 year, High risk audits 1 to 3 years and Medium / Low risk audit is around 5 to 6 years. In reality, resources are such that very few Low risk audits would be included in the Annual Plan, although throughout the year circumstances will be monitored and where appropriate the Plan will be flexible to allow priorities to change.

To inform the risk assessment, an exercise has been undertaken to analyse all the reports considered by Cabinet and all Scrutiny Committees for the past 12 months. This exercise provides useful information on where others have sought assurances in key areas of Council business.

An exercise has also been completed to compare the Cabinet and Scrutiny reports for the past 12 months with the Corporate Risk Register to assess the extent to which such reports provide assurance around the mitigation of these risks. This has helped to shape audit priorities in the Audit Plan for 2015-16.

The aim is to extend this work on assurance mapping over the coming 6 months and to consider any impacts when the Audit plan is reviewed in October for the second half year.

Much work has been done and is continuing on the use of Control Risk Self Assessment to not only increase the ownership and understanding of risks and controls amongst clients, but also to enable sharper focus to be placed for auditing, making best use of the resources available.

Once potential coverage for the year ahead is set out, this is shared with Directors giving them an opportunity to contribute to potential audit coverage for the coming 12 months. This will normally be through Relationship Manager meetings. This engagement with Directorate Managers helps to confirm that the risk assessment scoring assigned as part of the Audit risk assessment process is robust, as Managers have the opportunity to challenge these and experience shows that they rarely change.

There is flexibility built into the Annual Audit Plan to enable senior managers’ views to be taken into account, but care is taken not to compromise basic assurance work. Senior management in Finance are also consulted and the Corporate Director Resources & Section 151 Officer plays a key role with overall responsibility for financial stewardship in terms of input to the overall Audit Strategy and planned coverage.

Audit Plan 2015-16

The risk assessment and discussions with senior management then shape the Annual Audit Plan. This becomes the yardstick for performance management and deciding priorities as the year proceeds.

The following is a summary of audit days for 2015-16 with figures for previous years shown for comparison purposes. The figure for allotable days has been adjusted to take account of the 2014/15 workforce agreement.

Summary of Days Planned for 2015/16

		FTE	Total Days	Available Days	Allotable Days
Audit	2012/13	14.2	3,530	2,688	2,285
	2013/14	13.1	3,420	2,710	2,360
	2014/15	11.0	2,783	2,143	1,920
	2015/16	11.0	2,918	2,315	2,050
Investigations	2012/13	9.0	2,370	1,850	1,530
	2013/14	9.0	2,360	1,885	1,550
	2014/15	8.0	2,043	1,641	1,360
	2015/16	2.3	650	510	430
Risk & Governance	2012/13	1.3	310	249	245
	2013/14	1.2	300	220	220
	2014/15	1.0	253	203	185
	2015/16	1.0	265	211	190
Assurance	2014/15	1.8	526	428	380
	2015/16	2.0	540	430	390

Notes

1. It has been assumed that 2 temporary appointments will continue for the full year.
2. Figures reflect return to 37 hour week for 2015-16.
3. The reduction in Investigations days is due to staff moving to DWP under the Single Fraud Service initiative and a Senior Investigator post being deleted as a saving for 2015-16.

An outline of planned audit coverage is set out at **Appendix G**. This shows planned days analysed over fundamental audits, corporate governance and other assurance audits, those audits undertaken in relation to directorate, external clients / grant audits and some managerial tasks. A detailed analysis of days for each directorate in assignment detail is maintained by the Audit Team and provided to Senior Managers as appropriate. This is reviewed quarterly at Relationship Manager meetings, where priorities for coming months are discussed.

Monitoring of Plan & Performance

Over the course of the year, priorities are continually reviewed and tasks assigned accordingly. This takes account of the changing risk profile of the authority and Auditors' knowledge of the organisation and its own changing priorities. Introducing the Relationship Manager concept has allowed greater engagement with key stakeholders to capture changing risks and priorities to ensure the Section continues to add value in a professional manner. Over the past 4/5 years the Council has been on a journey of business change and undergoing some significant remodelling of service delivery, which requires careful monitoring, so that internal audit resources can be targeted to best effect. There are also ongoing restructures with ownership of functions moving around the business which needs ongoing monitoring.

Monthly meetings are held with the Corporate Director of Resources & Section 151 Officer, where there is an opportunity to discuss any matters relating to planned coverage or matters arising from audits undertaken and every quarter a progress report is prepared and provided to her. This highlights any significant variances in the Plan and provides an update on other key performance data. This is discussed and a copy is provided to Audit Committee.

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City of Cardiff Council INTERNAL AUDIT CHARTER



MISSION STATEMENT

Our aim is to provide a high quality service to existing and potential clients and to attain wide recognition as a lead provider of audit, risk and investigative services, based on achieving a high standard of professionalism and expertise in service delivery

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 is compliant with the Public Sector Internal Audit Standards which forms a foundation for an effective Internal Audit service. Through compliance with these standards all members of the section adhere to the Code of Ethics stipulated within the Standards.

DEFINITION, OBJECTIVE AND SCOPE OF INTERNAL AUDIT

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our audit universe covers the entire control environment throughout the Council.

The work of the Audit team is based around complying with the Public Sector Internal Audit Standards and many of the key principles are extended to the work on Risk, Governance, Assurance and Fraud work

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.

We are committed to a proactive approach to risk management to ensure the management of risk becomes embedded within the Council. By being more risk aware, the Council will be better placed to manage threats and take advantage of opportunities. This will lead to a more effective use of resources and direct improvements to the services we provide as well as improve corporate governance and performance.

We provide a framework for programme and project management, an independent assurance function and consultancy service, to ensure sound governance arrangements in areas where new projects and business changes are being explored and developed.

We undertake work to prevent and detect fraud and provide a professional investigative service into all aspects of suspected fraud, corruption and malpractice.

INDEPENDENCE

We are independent of the activities we audit and maintain an objective approach to our areas of responsibility. The section is not responsible for any operational responsibilities. Independence renders impartial and unbiased judgements which are essential to the proper conduct of an audit. All members of the section are required annually to complete an Internal Audit Staff Declaration Form which confirms their compliance to the standards, including the Code of Ethics, demonstrating the importance of integrity, objectivity, confidentiality and competency of individuals.

The time spent on non audit duties has been minimised over time, to make best use of scarce audit resources.

REPORTING LINES

The Audit Manager reports direct to the Corporate Director of Resources, who is the Section 151 Officer and has direct access and freedom to report to all senior management, including the Chief Executive and Members as he/she considers appropriate.

The Audit Manager also reports quarterly to an Audit Committee, consisting of Councillors and independent members, who receive relevant reports to consider internal audit matters. The Audit Manager also has the opportunity to meet with the Chair of the Audit Committee as deemed necessary.

The Corporate Director of Resources & Section 151 Officer sets the budget for Internal Audit in consultation with the Audit Manager(s).

RELATIONSHIPS WITH OUR CLIENTS

All Auditors and Investigators are suitably qualified and collectively offer a wide range of skills, experience and knowledge.

We aim to adopt a participative approach to audit and to maintain a good working relationship with all our clients

Each Director has a designated Senior Auditor who acts as a Relationship Manager and they meet every quarter to discuss risks, objectives, directorate specific issues, audits undertaken and completed and outstanding audit actions. Service Level Agreements are in place and a Protocol is agreed with each Director to ensure appropriate reporting arrangements are in place.

Financial Procedure Rules and Audit protocols set out our rights in terms of access to records etc and what we expect from our clients in assisting the role we fulfil.

The Anti Fraud, Anti Corruption & Bribery Policy sets out the relationship between Internal Audit and directorates, outlining respective roles in relation to the investigation of suspected fraud and financial impropriety, key to this being the requirement for Senior Management to immediately notify the Audit Manager as soon as any suspicion of this nature, comes to light.

We act as a technical support for the Audit Committee, whose Terms of Reference is available on the Council's website and we contribute to their work programme and setting of Agendas for their meetings. The Audit Manager attends all Audit Committee meetings and has the opportunity to meet separately with the Chair, as required.

INTERNAL AUDIT SERVICES

As part of the roles below, we take a lead in reviewing key governance documents determining financial control, examples include; Financial Procedure Rules, Contract Standing Orders and Procurement Rules, and associated guidance documents; we lead on the Anti Fraud, Anti Corruption and Bribery policy, the Risk Management Policy, Strategy & Methodology and the Project Quality Assurance Handbook. We also play a major role in the review of many other governance and Human Resources policies and procedures, to ensure a robust consideration of risks and financial controls.

The scope of the section includes the following:

Systems Based Audit	Assessing risk and appraising the adequacy and effectiveness of internal control within a system. Forming an opinion and reporting on areas where improvements can be made to strengthen control.
Financial Audit	Testing systems to ensure accuracy and reliability of financial records to provide management assurance.
Value for Money (VFM) / Efficiency Reviews	Improving the efficiency and cost effectiveness of a system, with a view to achieving savings. This is often undertaken alongside a systems or financial audit.
Fraud Investigations	Assisting management in the prevention and detection of fraud and confidential investigations into all aspects of suspected fraud, corruption and malpractice.
Financial Advice	Giving financial advice on a confidential basis, as and when required.
System Development	Acting as a critical friend where any new and innovative ways of working or systems are being developed – ensuring a robust consideration of risks, the internal control environment and VFM.
Risk Management	Championing Risk Management at a corporate level and providing advice on the Risk Management Policy, Strategy and Methodology.
Governance	Engaging with senior management and leading on the preparation of key governance documents e.g. Annual Governance Statement
Programme & Project Assurance	Reduce risk in delivering major change through managing the programme & project governance framework; provision of independent assurance; identifying improvement actions and skills development.

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QUALITY AND STANDARDS

We are committed to providing a professional, effective, efficient and quality service to both internal and external clients. The following control standards have been implemented:

- Adherence to relevant Codes of Practice and Standards.
- Compliance with Professional Accountancy Bodies and the Council's Codes of Conduct.
- A range of Business Objectives, Targets and Performance Indicators/Benchmarking.
- Annual Report and quarterly reporting to the Section 151 Officer and to Audit Committee.
- External Scrutiny e.g. the Wales Audit Office.
- Continuous Staff Development and Learning & Development Training Programme.
- Quality Assurance Questionnaires and feedback through relationship manager arrangements.

CUSTOMER CARE STATEMENT

Encompassing the authority's customer care policy, we aim to respond to all our customers' enquiries quickly and effectively by our guarantee to:

- Involve clients in all stages of the audit process and more recently introduce a Relationship Manager for each Directorate.
- Initial response within 24hrs to enquiries on suspected fraud / financial malpractice.
- Provide an initial response to letters from the public within 7 working days and a full response within 14 days.
- Despatch written reports within time set out in the Terms of Reference.
- Regularly review the level and range of services we provide to ensure they support the objectives of the Council and continue to "add value".
- Staff the office between: 8.30am to 5.00pm Monday –Thursday 8.30am to 4.30pm Friday, with answer phone service and [web page](#) for fraud referrals outside normal office hours.

If you wish to comment on any aspect of our service, please contact the Audit Manager via one of the following options:

Email: Derek.King@cardiff.gov.uk, R.D.Jones@cardiff.gov.uk or internalaudit@cardiff.gov.uk

Telephone: (029) 2087 2248 / 2210

Address: City of Cardiff Council, Internal Audit, Room 357, County Hall, Atlantic Wharf, Cardiff, CF10 4UW

Website: [Audit Internet Site](#)

City of Cardiff Council INTERNAL AUDIT PROTOCOL



INTRODUCTION

1. This document outlines the typical procedures involved when an audit is undertaken and the protocols to be followed. The approach adopted is participative, allowing “auditees” the opportunity to have input at different stages of the audit process. The procedures adopted are in line with the UK Public Sector Internal Audit Standards, which applies to all professional auditing bodies within the public sector.
2. The scope of this Protocol primarily covers the work undertaken by members of the Audit Team, however, a separate procedure note exists for schools, due to different reporting arrangements involving Chairs of Governing Bodies. Also included in this document is a section relating to reporting arrangements for investigations, as there are links where enquiries lead to a review of financial controls. The final Section of this document relates to other means of engaging with clients that we have outside the formal reporting protocol.

AUDIT PROCEDURE

3. At the beginning of the financial year, the Audit Strategy is prepared, which includes an Annual Audit Plan which sets out the proposed audit coverage for the coming year. This Plan is based on a risk assessment across the Council and forms the basis for audits assigned over the next 12 months. The Strategy is approved by the Council’s Section 151 Officer and presented to Audit Committee. Before the Strategy is approved, proposed coverage for directorates is shared with each Director, detailing the areas proposed for review during the year, enabling them to shape audit coverage, based on their own knowledge of their risks and any significant issues within their directorate.
4. The Plan has a degree of flexibility to allow unplanned audits to be considered, in line with competing priorities for audit resource. This allows service area management the opportunity to raise any concerns they may have around risk management or internal control with the Audit Manager during the year.
5. Prior to the commencement of each audit, a research and scoping exercise will be undertaken, often involving a meeting with the auditee, identifying service objectives and risks to achievement of those objectives. From this, a Terms of Reference (TOR) is prepared, detailing the subject area under review, the areas to be covered, the objectives of the audit, the approach to be adopted and the records that will be required. This will be sent to the relevant Line Manager and Operational Manager and, where appropriate, copied to the relevant Director, allowing them the opportunity to further comment on this prior to the commencement of the audit.
6. The TOR will, as far as possible, identify the records required for audit, which should help auditees to prepare for the audit and save time and disruption during the visit.

Duration of the Audit

7. Management should try to make available space and a work station for the auditor for the duration of the visit and ensure they have appropriate access to the records or people they may wish to see.

8. The Auditor will try to minimise disruption during the time of the audit. With greater access to systems back at the office, some pre and post audit work can be undertaken off site.
9. Should any major concerns arise during the course of the audit, they will be raised with management at the earliest opportunity. The Auditor will discuss initial findings with management at appropriate stages during the audit and where convenient an exit meeting will be held at the end of the visit to discuss the main matters arising with the Manager.

Reporting Arrangements - Draft Reports

10. Once the fieldwork has been completed and the audit has been reviewed, a decision will be taken as to the appropriate reporting format.

High and Satisfactory Assurance Opinion

For audits where the overall opinion is that assurances can be provided and there are few recommended improvement actions, it will normally be decided not to issue a formal report. There may still be recommendations to enhance control which will be recorded in an Action Plan.

Limited and No Assurance Opinion

For any report where the audit opinion is that only Limited or No assurance can be provided, a draft audit report will be produced and sent to the Line Manager, with the relevant Operational Manager copied in.

11. A meeting will be arranged to discuss the audit findings and the Draft Report or Action Plan, where a report is deemed to be not required. Wherever possible, this meeting will be arranged within one or two weeks of the completion of fieldwork.
12. The aim of this meeting is to share audit findings with the relevant Manager allowing them an opportunity to discuss these directly with the Auditor involved and to formally agree a course of action for the opportunities for improvement identified. Management's views may then be reflected in the final report and the Action Plan issued to senior management.

Reporting Arrangements - Final Reports

13. Following the meeting to discuss the audit findings, the report or Action Plan will be finalised and e-mailed to the Director, with the Operational Manager and the Line Manager copied in. Where there is no report but an Action Plan is attached then an overview of the audit and an opinion will be included in the email.
14. On occasions a Line Manager or Operational Manager may not agree to implement an audit recommendation and where this is the case, the email will seek a view from the Director. He or she will be expected to consider this in context with the risk and form a view. The Director should respond to the Audit Manager within 2 weeks and where the Audit Manager considers necessary he/she may decide to refer the matter to the Section 151 Officer.
15. The Director will have an opportunity to respond to the report within two weeks and if no response is received within two weeks, then it will be assumed the Director has approved the report and agreed to implement the Action Plan.
16. The recommendations and agreed management actions of all final reports are entered on to the CIS database and the appropriate officers (e.g. Quality Coordinators) notified.

Follow up action

17. Service management are expected to monitor the audit reports recorded on the CIS database as part of their normal Business Improvement agenda. Directors should seek assurance that all audit recommendations that were agreed have been appropriately actioned, before the record is closed. Very few recommendations would not have been agreed at the final report stages, so there is an expectation that all will be implemented. It may be the case that situations change and the action is no longer valid, in which case the Director should be able to justify this and be prepared to explain why some actions are abandoned.
18. The CIS database will be reviewed every 3 months and reminders sent as appropriate to Quality Co-ordinators and failure to action audit recommendations in a timely manner will be referred to the Director. Reports on delays in implementing recommendations will be reported to the Section 151 Officer and Audit Committee on a regular basis. Directors may be held to account for this and required to attend Audit Committee.
19. Where the issues raised are considered to be high risk, or the audit given a Limited or No assurance opinion, Audit may undertake a further visit and follow-up testing after 6 months, to ensure that recommendations to improve control have been implemented.
20. When a subsequent audit is then undertaken, previous audit recommendations are reviewed and comment made on the extent to which they have been actioned. This is likely to impact on the level of assurance provided and attract attention if actions are seen to be agreed and then not implemented.

INVESTIGATIONS

21. Where an investigation is carried out, either led by an appointed Officer from a service area or an Investigator from within Audit, the Lead Officer should produce a report in accordance with the Discipline Policy and Procedure, setting out findings and recommendations.
22. It is important that where any investigation is undertaken any system control weaknesses are identified and acted upon to reduce the risk of any similar problems arising in the future. To ensure this is the case an Investigator either leading or assisting an investigation will ensure that an Action Plan is set out identifying any "control" issues. This will be issued alongside, or as part of, the Investigator's report.
23. Any Action Plans arising from an Investigation will be followed up after 6 months through contact with the appropriate Manager.
24. Group Auditors will be copied in with any investigation report, to be aware of the findings, and to take account of the proposed control improvements in allocating audit assignments.

QUALITY OF SERVICE

25. All audits undertaken are subject to a senior officer review to ensure professional standards are maintained and all auditors work to a performance management framework which is based around a set of milestones and targets.
26. In order to allow clients the opportunity to comment on the audit service provided, an Audit Effectiveness Questionnaire will be completed via a phone call with the appropriate Manager. This will enable Audit Management to monitor audit performance in order to ensure that clients continue to receive a service of the highest quality and one that is suited to their needs. In the event of any unsatisfactory performance recorded, Audit Management will contact the appropriate Manager to discuss this.

AUDIT COMMITTEE

27. Members of the Audit Committee receive a list every 3 months of audits undertaken and show a keen interest in how audit findings are progressed. They closely monitor all audits where there is a Limited or No Assurance audit opinion and associated follow up work in respect of such audits. For these they receive an Executive Summary. They also expect timely response to audit matters and have laid down criteria where a Director may be asked to attend a meeting to explain their position. This includes continuing Limited / No assurance opinions, undue delays in responding to audit reports or requests for information and failure to act on audit recommendations in timely fashion.

OTHER ENGAGEMENT

28. The Audit and Investigation teams have vast experience of financial matters across the Council and are always available to provide advice and guidance to directorates. We are involved with drawing up the Financial, Contracting Procedure Rules of the Council and other key governance documents thus know what is expected of officers by way of compliance.

29. In our role we are well placed to identify and share good practice as well as identify common issues where weaknesses in control can exist. We, therefore, welcome requests for advice and guidance at any time and will always strive to provide a timely response.

30. We welcome the opportunity to be involved where there are any proposed business changes and systems developments being considered, so we can engage at an appropriate time to ensure risks and internal controls are considered and 'built' into new systems/developments as they evolve. This 'critical friend' role has played a major part in recent years and will continue to do so for the foreseeable future.

There is a Relationship Manager assigned to each directorate and quarterly meetings are held to discuss audits completed, ongoing and those planned, along with any matters arising. This provides an opportunity for Directors to provide any observations or raise any concerns they may have regards the audit process but the Audit Manager is always available should any wish to meet with him direct.

Audit Manager

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INTERNAL AUDIT - SWOT ANALYSIS 2015-16

Strengths	Weaknesses
<p>STAFF</p> <ul style="list-style-type: none"> - experienced, professional, qualified staff - specialist staff e.g. Risk, Computer audit, Investigation - staff willing to embrace innovative solutions - staff motivation and engagement - consultancy service - PPD reviews as a tool for development - proactive work e.g. newsletters, fraud training, data matching <p>STAKEHOLDERS</p> <ul style="list-style-type: none"> - valued service in support of Audit Committee and S151 Officer - high level of recommendations agreed/implemented - good reputation/valued service with excellent client feedback via Relationship Manager arrangement <p>PROCESSES/TECHNOLOGY</p> <ul style="list-style-type: none"> - professional standards – PSIA Standards - application of lean auditing techniques - business / directorate knowledge - proactive approach to fraud prevention, detection and investigation - robust tried and tested processes - audit planning & monitoring system using bespoke database - effective performance monitoring, reporting and quality assurance <p>OTHER</p> <ul style="list-style-type: none"> - mandatory service - independence / objectivity - ethical standards 	<p>STAFF</p> <ul style="list-style-type: none"> - Lower grade staff and experienced staff leaving - vacant Computer Auditor post - pressure on resources due to increasing expectations - pressure on management time - risk of low morale due to cultural shift and new ways of working - staff on long term sick leave - some lack of knowledge in specialist and developing areas such as new delivery models <p>PROCESSES/TECHNOLOGY</p> <ul style="list-style-type: none"> - continual pressure on audit plans and resultant slippage - prioritising planned with reactive work - intense reporting requirements e.g. Audit Committee - increased downtime due to intermittent IT failure - not all procedures are documented

Opportunities	Threats
<p>STAFF</p> <ul style="list-style-type: none"> - non chargeable time is high compared to other organisations - training opportunities e.g. academy, in office training <p>PROCESSES/TECHNOLOGY</p> <ul style="list-style-type: none"> - 'lean auditing' techniques resulting in greater productivity and job satisfaction - increased use of CRSA - Educating/training directorates in order to reduce service demand e.g. OM involvement in ILM training - Assurance mapping - conduct 'lessons learned' at the end of cyclical exercises to feed into the audit plan - income generation by offering audit service/advice outside the authority – need to research and develop model - opportunity to expand data-matching - Wider research into professional best practice - technological advancements e.g. SharePoint <p>ENVIRONMENT</p> <ul style="list-style-type: none"> - media – increasing publicity of fraud work 	<p>STAFF</p> <ul style="list-style-type: none"> - Staff turnover in specialised areas and the resulting loss of expertise - Low morale amongst low grade staff - Further reductions in budget - Lack of time available for training / work instruction - Low morale due to a changing and uncertain environment. <p>STAKEHOLDERS</p> <ul style="list-style-type: none"> - Changes in stakeholders - new relationships will need to be established - Stakeholders too busy to follow protocols - Possible down turn in client satisfaction. <p>PROCESSES/TECHNOLOGY</p> <ul style="list-style-type: none"> - staff reductions (e.g. VS) in directorates resulting in loss of expertise, including knowledge of systems and processes - directorates not acting on recommendations - IT failure – business continuity - the introduction of 'SharePoint' may restrict agile working <p>ENVIRONMENT</p> <ul style="list-style-type: none"> - change in working models making recent audits obsolete and delays awaiting changes being embedded - pressure on control environment within directorates as a result of reducing resources . - slippage against audit plan - impact on audit coverage

INTERNAL AUDIT - CHALLENGES 2015-16

Internal Audit

- To deliver a high level, professional audit service, with a reduction in resources at a time when demand for our service is increasing. In doing so, to remain compliant with the Public Sector Internal Audit Standards at all times.
- To prepare an Audit Plan, maximising available resources, targeting high risk audits and effectively monitoring priorities against the Plan which will provide assurances to the Section 151 Officer and Audit Committee. Key to this challenge is achieving this with a reduction in resources at a time where the authority is undergoing a major change and efficiency drive.
- To develop the recently introduced '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.
- To continue our "Critical Friend role" through proactive input to the development of new systems to ensure adequate consideration of risks and internal controls. In fulfilling this role, we need to protect the objectiveness and independence of the internal audit service.
- To support compliance to the internal control frameworks throughout the Council, at a time of strategic and operational change, to protect the basic control principles, through high quality advice and guidance to clients, including an update of key financial governance documents.
- To deliver an effective audit service through continual review of 'lean' working practices, with best use of new technology. This is to include greater use of 'Control Risk Self Assessments' to maximise use of audit resources and encourage greater ownership of risks and the control environment.
- To develop an approach to assurance mapping to better understand the contribution other bodies are able to contribute, providing assurance in relation to governance, risk management and internal control, with the aim of reducing duplication and enabling audit resources to be more effectively deployed.
- To provide training and education to directorates via involvement in the Institute of Leadership & Management training courses, in order to encourage directorates to proactively develop, implement and review controls and risks

Investigations

- 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.
- To target an increasing trend in internal fraud referrals by continuing to raise awareness around fraud prevention and detection and to undertake effective investigation to tackle all aspects of fraud.
- 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.

- To contribute to the review of policies and procedures in order to ensure the consistent approach to investigations and sanctions.
- To deliver an effective investigation service through continual review of lean working practices, with best use made of new technology.

Risk & Governance

- To work with and support management to maintain sound arrangements for managing risks both at a strategic and operational level. This is to be achieved through championing risk management at a corporate level ensuring development of risk registers and helping to embed risks into project management and decision-making.
- To identify the collaboration activities currently underway in the Council and to ensure that the associated risks to the Council have been captured.
- To ensure the Annual Governance Statement is completed within the required timescales to engage with Audit Committee; which gives a true reflection of the Council's governance arrangements for the financial period 2014/15. Fundamental to the completion of the statement will be the collation of the Senior Management Assurance Statements at a time when senior management arrangements are being reviewed.
- To undertake a series of workshops, initially with Senior Management Team, in order to determine the Council's 'risk appetite', with the aim of developing a 'Risk appetite' policy.

Project Assurance

- With the pace and complexity of change and move towards new business models, we will need to continue to develop and maintain appropriate Corporate Governance Standards for programme & project management.
- Along with the change and new ways of working, there will be a need to mitigate organisational risk to successful project delivery by providing independent assurance to senior managers.
- With increasing new roles developing within different business models, there will be a need to ensure staff are adequately trained in the basics of the PQA process, in order to ensure best practice is maintained within programme and project delivery.

All Teams

- To retain staff and keep motivation high, through promoting 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 for all staff. To support opportunities for staff to train and develop so that they remain competent, efficient and effective in undertaking the tasks expected of them.
- 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 Chief Corporate Services & Section 151 Officer and Audit Committee with their roles in terms of audit, investigation, risk and governance matters.

INTERNAL AUDIT

Summary of Main Risks – 2015/16

Risk	Inherent Risk	Mitigation	Residual Risk
All Teams			
High non-productive time e.g. sickness absence.	Red / Amber	Compliance with Policies e.g. Attendance & Wellbeing Policy.	Red / Amber
Audit Team			
<p>Unable to provide a professional, effective and efficient Internal Audit service due to:</p> <ul style="list-style-type: none"> - Lack of adequate resources (staff and funding) - Loss of experienced staff due to financial pressures and limited opportunities within the Council - Lack of appropriate skills, training and qualifications - A failure to identify changing risk profiles and target resources effectively. - Lack of commitment, drive and willingness to change and develop working practices. - Lack of effective planning, monitoring and reporting 	Red	<p>Section 151 tries to protect audit resources. Recruitment to vacant posts. Staff development encouraged within the Section through the Personal Development Scheme and training. Knowledge of corporate risk assessments and work with directorates. Engagement and information sharing within the section. Team meetings. Continual review of working processes. Regular meetings of Audit Management Team to reassess priorities.</p>	Red / Amber
Failure to comply with the Public Sector Internal Audit Standards.	Red	<p>Internal Audit Self Assessment will identify any gaps against the new standards. Experience and training. Robust audit review process. Continual review of processes. Introducing Lean auditing. Quality Assurance & Improvement Programme.</p>	Red / Amber
A failure to be in a position to provide an informed audit opinion.	Red / Amber	<p>Assignment prioritisation and targeting key audits. Involvement with strategic and key governance issues.</p>	Red / Amber
Increasing demands on the Internal Audit Team by the Audit Committee leads to slippage on planned work.	Red / Amber	<p>Audit Manager attends every Audit Committee meeting. Committee Services provide support to the Audit Committee.</p>	Red / Amber
Management fail to implement audit recommendations in a timely manner.	Red / Amber	<p>New procedure for meeting with clients to sign off Action Plans. Relationship Managers for each Directorate. Audit Committee and Chief Executive have enforced the message to implement recommendations in a timely manner.</p>	Amber / Green

Risk	Inherent Risk	Mitigation	Residual Risk
A reduction in quality of audit service as evidenced by negative client feedback.	Red	Compliance with relevant Codes and Standards. Robust review processes. Engagement with clients.	Amber / Green
Ineffective prioritisation of staff resources which leads to slippage on planned high risks audits.	Red	Plan v Actual reporting Experience and knowledge. Regular review of priorities.	Amber / Green
A failure to provide clients with "added value" audits and advice.	Red	Professional standards Review of audits Regular interface with clients Assurance questionnaires	Amber / Green
Poor engagement between the Internal Audit Team and Wales Audit Office.	Red / Amber	Regular Meetings set up between Internal Audit and Wales Audit Office. Both attend Audit Committee	Amber / Green
Investigation Team			
Increased referrals as a result of the review of the Disciplinary Policy and responsibility for investigating fraud.	Red	Work with Human Resources to help draft relevant changes, ensure responsibilities are clear and resources retained to conduct investigations	Red / Amber
Increased demands on the team as a result of requirement to provide training.	Red / Amber	Developing eLearning to reduce demand for courses.	Amber / Green
Increase in fraud due to reduction in senior / experienced officers	Red	Increased vigilance and awareness. Control review following investigation	Red / Amber
Inconsistent sanctions following disciplinary investigations sending out the wrong message	Red / Amber	Review of Disciplinary Policy, Introduction of a more robust anti fraud policy, training and greater awareness	Red / Amber
Increased reliance on the investigation team to improve consistency of sanction outcomes	Red / Amber	Ensure suitably skilled officers retained to carry out role	Red / Amber
Risk Team			
Risk owners fail to manage risks leading to less informed decision making.	Red	Ongoing work to input to all aspects of risk assessment.	Red / Amber
Failure to prepare an Annual Governance Statement that gives a true reflection of the Council's governance arrangements in line with the Statement of Accounts deadline.	Red	Organised, tried and tested approach. Experience and knowledge. Seek assurance from a number of sources.	Amber / Green
Programme & Project Assurance (PPM)			
Ability to provide the required level of assurance during a period of rapid, large-scale change due to resource constraints	Red	Organisational commitment to good programme and project governance. Introduce project self assessment. Introducing standardised approach to assurance of key documents.	Red / Amber

Risk	Inherent Risk	Mitigation	Residual Risk
<p>If project delivery resources do not have the appropriate skills to manage large scale change, there is a risk of increased pressure on the PPM Assurance to provide reactive risk mitigation services</p>	<p>Red</p>	<p>Increase focus on skills development & training for project teams, rather than one-to-one mentoring. Improve project reporting to senior managers to drive compliant behaviour and increase delivery capability. Recruiting Programme Managers to lead delivery of change. Procuring externally accredited project management training to increase skill level across the Council. Training Project Executives to increase knowledge, skills and compliance in PPM / PQA.</p>	<p>Red / Amber</p>

Most of the above are under the direct control of Audit management, who can look to ensure the risks are reduced by ensuring staff follow long established professional working practices and protocols, but others rely on the actions of others and, as such, limit the impact Auditors can play in mitigating the risk. These will be monitored over the 12 months and mitigation actioned where appropriate.

Internal Audit Service Plan – 2015/16

Action	Task	Measures	Benefits / Outcomes
<p>Audit – all teams</p> <p>Objective 1</p> <p>{Engagement }</p> <p>To engage with stakeholders to ensure that audit, investigations, risk / governance and project assurance services, remain effective in adding value.</p>	<p>a) Provide clients with sound advice and guidance on a range of financial matters via:</p> <ul style="list-style-type: none"> • Audit Relationship Manager (RM) arrangement for each Director; • Auditor participation (critical friend role) in working / steering groups; • Audits / Audit Investigations Project Assurance Services - policy and procedure advice and guidance; • The creation and circulation of audit briefing notes, bulletins and procedures to support financial control and probity. <p>b) To educate clients to reduce their need to seek advice and guidance</p>	<p>Advice and guidance tasks are measured by:</p> <ul style="list-style-type: none"> • Quarterly Relationship Manager meeting minutes where risk and governance matters are documented; • Auditor attendance and input to meetings & working groups, offering guidance & support; • Satisfaction analysis from fraud and PQA training; • Issuing and maintaining up-to-date briefing notes, bulletins, and procedure notes on key control matters. • Audit staff meetings with senior management on any significant matters arising. • Contribution to Cardiff Manager programme training. • Produce on line training modules to educate clients in key areas. • Satisfaction from a Director Quality Assurance Questionnaire. 	<p>To provide an effective, relevant and appropriate service, that meets the needs of the Section 151 Officer, senior management and the authority, as a whole.</p> <p>Keeping up to date with the Council’s key risks, challenges and opportunities in order to provide an audit service that is informed, fit for purpose and adds value, whilst providing assurance on key financial controls.</p> <p>Continue to enhance the profile of Internal Audit.</p> <p>Keeping aware of the change agenda and changing risk profile in Directorates and corporately, to ensure the audit approach is appropriate and recommendations are proportionate, relevant and timely.</p> <p>Support Directors in the development of their risk awareness and contribute to improvements in controls.</p> <p>Gaining knowledge of relevant legislation and best practice through shared skills</p> <p>Reduce demand on audit service through better education around managing risks and internal control.</p>

Action	Task	Measures	Benefits / Outcomes
<p>Audit – all teams</p> <p>Objective 2</p> <p><i>{Processes}</i></p> <p>To develop techniques to enhance processes and working practices to drive efficiency and effectiveness of service delivery.</p>	<p>a) Develop an approach to assurance mapping for governance, risk management and internal control.</p> <p>b) Continue to review processes (end to end) with lean thinking principles in mind to ensure continuous improvement whilst ensuring that professional standards are maintained and client needs met.</p> <p>c) Extend benchmarking via CIPFA UK wide Club and continue with WCAG benchmarking annual exercise</p> <p>d) Undertake research into best practice via contact with “core cities” and other organisations</p> <p>e) Extend the use of Control Risk Self Assessment (CRSA)</p> <p>f) Implement SharePoint</p>	<ul style="list-style-type: none"> • To produce a assurance map to help shape audit priorities and avoid duplication; • Audit ‘Pit Stop’ review process mid assignment to ensure appropriate focus on key risks and lean principles are being followed; • Streamlined working with efficient use of time – monitored via PAA process and PPDR; • Extent of Audit Plan achieved. • Internal assessment of the IA function • Introduction of a Self Assessment for Directorate Risks. • Benchmarking outcomes and any research findings • Introduction of SharePoint 	<p>Greater understanding of other inspectorate or regulatory bodies’ contribution to assurance in respect of governance, managing risks and internal control.</p> <p>Improved efficiency and increase in the % of Audit Plan completed.</p> <p>Greater coverage of high-risk areas with scarce audit resource.</p> <p>Assurance on the level of service delivered and / or highlights further scope for improvement.</p> <p>Leading on identifying best practice within the profession.</p> <p>Greater understanding and assurance relating to management of Directorate risks.</p>
<p>Audit – all teams</p> <p>Objective 3</p> <p><i>{People}</i></p> <p>In line with the Corporate Plan commitment to skills development to invest in learning and development of staff to enable them to be effective in the work they undertake and to provide opportunities for others</p>	<p>a) Set SMART objectives for all staff based on “golden thread”.</p> <p>b) Undertake PPDR’s in line with target dates.</p> <p>c) Identify and provide training opportunities to team members.</p> <p>d) Undertake a skills assessment exercise to identify any training needs</p>	<ul style="list-style-type: none"> • PP&DR process will confirm objectives set, measured via the audit ‘pit stop’ and ‘post audit assessment’ processes. • PP&DR’s undertaken in corporate timescales; • PP&DR’s used to identify training needs and opportunities; • Attendance at appropriate training courses e.g. SW Audit Group Training programme; • Outcomes from skills assessment exercise. 	<p>Ability to ensure that best practice is adopted across the Section through effective training and feedback.</p> <p>Career development and increased opportunities for promotion for staff.</p> <p>Increased morale and sense of ownership and responsibility amongst staff.</p> <p>Retention of staff.</p>

Action	Task	Measures	Benefits / Outcomes
<p>Audit – all teams</p> <p>Objective 4</p> <p>{Technical support}</p> <p>To provide technical support and assurance to the Audit Committee</p>	<p>a) To provide technical support to the Audit Committee generally, and to individual meetings of the Committee.</p> <p>b) To prepare and present reports on Governance, Risk Management and Internal Control matters to the Audit Committee.</p> <p>c) The Audit Manager to attend every meeting of the Audit Committee and provide information as required, as set out under their Terms of Reference.</p>	<ul style="list-style-type: none"> • Contribution to the effective running of the Audit Committee and delivering their responsibilities as set out in their Terms of Reference via shaping of Work programmes, monitoring actions, drafting annual report etc. • Reports on Governance, Risk Management and Internal Control in line with the Committee's Terms of Reference. • Facilitating an annual self assessment exercise; • Attendance at committee; • Member Training; • Satisfaction rating from Committee as part of IA assessment; 	<p>The Audit Committee better delivers its responsibilities as set out in their Terms of Reference</p> <p>A work programme is developed targeting key governance, risk and control issues and through regular reporting from officers' gains the assurances it requires to meet its responsibilities.</p> <p>Reports they receive enable them to challenge and scrutinise the Council's governance, risk management and internal control environment.</p>
<p>Audit Team - Objective 1</p> <p>To comply with professional Codes of Practice and Statute, including the Public Sector Internal Audit Standards.</p>	<p>a) Prepare an Audit Plan based on an assessment of risk, and effectively monitor progress against the Plan and assess priorities accordingly.</p> <p>b) Undertake risk based audits in line with professional standards.</p> <p>c) Deliver the Audit Plan in an efficient and effective way. (using assurance mapping to target key areas of risk)</p> <p>d) Prepare an Annual report with an "Opinion".</p>	<ul style="list-style-type: none"> • Prepare Plan by mid May; • Prepare quarterly schedule of audits for all members of the Audit team; • Engagement with Directors; • Delivery of the Annual Audit report by mid May; • Regular review of audit assignment priorities; • Progress reports within 6 weeks of the quarter end for Section 151 Officer and Audit Committee; • Satisfactory assessment by WAO on compliance with Public Sector Internal Audit Standards; 	<p>Support for Section 151 Officer and Senior Management with their role and responsibilities for managing risks and internal controls.</p> <p>An independent overview on assurance around risk management, and internal control.</p> <p>Helping to maintain a robust internal control environment, and effective management of financial risks.</p>

Action	Task	Measures	Benefits / Outcomes
	<p>e) Provide advice and guidance to all service areas.</p> <p>f) Engage with developments of new systems and processes, fulfilling a “critical friend” role.</p> <p>g) Encourage effective working and value for money.</p> <p>h) Monitor effectively auditor’s performance, seeking improvements in productive time.</p>	<ul style="list-style-type: none"> • Deliver 100% of Tier 1 Audits • Expand use of CRSA approach to cover 70% of fundamental audits and 80% of school audits; • Attendance and input to meetings; • Client engagement measures; • Reported findings. • Quality performance review evidenced through Post Audit Assessment process for each audit, which feeds directly into the PP&DR process, identification of training needs and process re-engineering where required. 	<p>Helping to minimise fraud and financial impropriety and to identify and investigate this as appropriate, with any fraudster held to account.</p> <p>Helping to ensure controls are improved where fraud or financial impropriety have occurred.</p> <p>Helping to ensure compliance with Council Improved compliance through audits and provision of advice and guidance.</p> <p>Helping to ensure developments take into account risks and control considerations.</p> <p>Helping to provide best value and seek value for money.</p> <p>Help to provide assurance around professional standards.</p>
<p>Project Assurance Team - Objective 1</p> <p>To provide a programme & project management governance framework that enables senior managers to have clear, consistent and timely information, which supports effective decision making</p>	<p>a) Introduce formal Evaluation process for Project Brief, improving quality of outputs and supporting decision making</p> <p>b) Review programme and project management reports to ensure they provide senior managers with clear information</p> <p>c) Improve governance and compliance by implementing SharePoint across the OD Programmes</p>	<ul style="list-style-type: none"> • Evaluation Process approved and embedded within Programme Boards • New report format(s) approved by Senior Managers and implemented • SharePoint implemented • Shared drives closed down • Information archived 	<ul style="list-style-type: none"> • Improve quality of project scope, plan and delivery • Improve project management skills • Improve management information • Improved consistency and compliance – configuration management • Improved standardisation • Delivering key objective of OD plan • Improved information management • Improved compliance with legislation

Action	Task	Measures	Benefits / Outcomes
<p>Project Assurance Team - Objective 2</p> <p>To mitigate organisational risk to successful project delivery by providing independent assurance to senior managers</p>	<p>a) Undertake health check reviews and audits of high risk programmes and projects</p> <p>b) Undertake an assurance review of risk across the OD Programme</p>	<ul style="list-style-type: none"> • Number of project health checks and audits undertaken • Number of accepted findings taken forward 	<p>Improved project delivery by improved governance, compliance and sharing lessons learned.</p> <p>Testing defined controls and providing assurance that these are appropriate to the level of risk.</p> <p>Improved project delivery and management information.</p>
<p>Project Assurance Team - Objective 3</p> <p>To increase the capability and capacity of internal staff to deliver projects</p>	<p>a) Facilitate Corporate PQA training courses as part of the Cardiff Academy</p> <p>b) Mentor & guide project teams as they learn and adopt PQA</p> <p>d) Act as a critical friend throughout project delivery</p> <p>e) Procure and facilitate accredited project management training</p> <p>f) Facilitate training for Project Executives & SROs</p>	<ul style="list-style-type: none"> • Number of Corporate PQA Courses • Percentage of PQA course attendees satisfied with training • Customer Satisfaction Feedback • No. of people trained (target 30) • Satisfaction with training 	<p>Reduced risk of projects going over budget by growing internal skills & capability.</p> <p>Reduced project delivery time.</p> <p>Consistent compliance with PQA.</p> <p>Reduced risks & issues.</p>
<p>Investigation Team - Objective 1</p> <p>To target all aspects of fraud & financial impropriety in support of a zero tolerance approach</p>	<p>a) Actively promote fraud prevention and detection, including delivery of a new Fraud, Bribery and Corruption Policy. Assist with the review of the Disciplinary Policy.</p>	<ul style="list-style-type: none"> • Deliver updated Policy and communicate key messages • Deliver new induction pack and achieve fraud awareness training targets and satisfaction ratings 	<p>Reduced opportunity for fraud and financial impropriety.</p> <p>Support the principles around culture and general approach to how the Council deals with fraud as set out in the Fraud,</p>

Action	Task	Measures	Benefits / Outcomes
	<p>b) Provide induction material and training to all those involved in investigating suspected fraud and financial impropriety cases.</p> <p>c) Review professional performance on each investigation undertaken.</p>	<ul style="list-style-type: none"> • Undertake fraud surgeries and job shadowing as and when requested • OM questionnaires received and analysed in respect of the Investigations Service. 	<p>Corruption and Bribery Policy.</p> <p>Consistent approach to dealing with cases of misconduct.</p> <p>Fraudsters are taken to task and deterrents put in place.</p>
<p>Investigation Team - Objective 2</p> <p>To maintain an efficient and effective investigation service</p> <p style="text-align: center;">Page 204</p>	<p>a) To receive and investigate fraud referrals through participating in intelligence gathering exercises aimed at preventing and detecting fraud and financial irregularity</p> <p>b) To lead on internal investigations as required and ensure professional standards are maintained.</p> <p>c) Assist service area appointed investigating officers to ensure that a thorough investigation is undertaken ensuring best use of resources. Provide and assurance to the S151 Officer and Audit Committee that a thorough investigation has been undertaken.</p> <p>d) Ensuring controls are reviewed following an investigation into suspected fraud or financial impropriety</p>	<ul style="list-style-type: none"> • Progress reports within 6 weeks of the quarter end for Section 151 Officer and Audit Committee • Ensure legal compliance with data matching exercises • Analysis of sanctions • Regularly review caseloads to ensure cases are progressed promptly and report progress on open cases • Control Action Plans following investigations 	<p>Support for Section 151 Officer and Senior Management with their role and responsibilities for the prevention, detection and investigation of suspected fraud and financial impropriety.</p> <p>Helping to minimise fraud and financial impropriety and to identify and investigate this as appropriate, with any fraudster held to account.</p> <p>Controls are reviewed and enhanced where any fraud or financial impropriety is found, to reduce the risk of a similar incident.</p>
<p>Risk & Govern Team - Objective 1</p> <p>To contribute to embedding risk management ensuring that processes are designed so that risk management is</p>	<p>a) To monitor, challenge and co-ordinate progress of mitigation of the Corporate Risk Register.</p>	<ul style="list-style-type: none"> • Delivery of updated Corporate Risk Register, -biannually reflecting the mid year and year end position. 	<p>Ability to demonstrate that as an Authority we are effectively managing risk.</p>

Action	Task	Measures	Benefits / Outcomes
<p>intrinsically built into everyday Council practices and procedures.</p>	<p>b) To undertake an exercise to define the Council Risk Appetite</p> <p>c) Review and engage with programmes and projects ensuring risks and controls are managed.</p> <p>d) Aid Directorates to improve awareness and develop their own risk registers</p> <p>e) Explore the collaboration agenda across the Authority and associated risks.</p>	<ul style="list-style-type: none"> • Attend meetings to contribute to discussions, providing advice and guidance in relation to risks, controls and effective working e.g. Performance Information Working Group • Facilitate Risk Management Steering Group and Risk Champion meetings • Continue to keep the risk management intranet site up to date • Review Directorate Risk Registers and undertake risk management reviews within a sample of Directorates. • Identify associated risks to partnership / collaboration agenda. 	<p>Ensuring all corporate risks are being effectively considered and managed to protect the interests of the Council.</p> <p>Greater understanding and awareness of risks and the significance to our business.</p> <p>Help Directorates manage their risks to enable them to make informed decisions.</p> <p>Effective management of risks should make best of opportunities and encourage effective decision making.</p> <p>Ensuring the major risks facing the Authority in relation to working with partners and delivering new service delivery models are being effectively monitored and managed.</p>
<p>Risk & Govern Team - Objective 2</p> <p>To contribute to the improved governance agenda.</p>	<p>a) Co-ordinate completion of the Annual Governance Statement</p> <p>b) Contribute to the review and compliance with key governance documents</p>	<ul style="list-style-type: none"> • Delivery of the Annual Governance Statement in accordance with Audit Committee deadlines. • A review of the effectiveness of the Annual Governance Framework • New and updated rules and guidance • Contributing to the Improved Governance Board. 	<p>Contributing to meet the statutory requirements to produce an Annual Governance Statement to accompany the Statement of Accounts.</p> <p>Helping ensure high levels of good governance arrangements are in place across the Authority and to demonstrate this publicly.</p> <p>Providing assurance around specific aspects of governance.</p>

Summary of Planned Audit Days 2015/16

Fundamental Audits - S151 Assurance (Tier 1)	Estimated Audit Days
Creditor Payments & Processing	45
Payroll	60
Council Tax	10
NNDR	10
Local Housing Allowances	15
Treasury Management	10
Main Accounting	10
Debtors	15
Asset Management	10
Housing Rents	15
Total	200
Corporate Governance Assurance – Audit (Tier 1)	Estimated Audit Days
Audit of risk management arrangements	40
Audit of corporate risks	
Audit of governance arrangements	
Audit of claims / expenses / hospitality	
Total	40
Other Assurance (Tier 2)	Estimated Audit Days
Contracts audit	130
Computer Audit	100
Value for Money	50
Systems Development	50
Insurance	0
Pensions	10
Procurement	30
Mileage & subsistence	10
Stores	10
Business Continuity	10
Total	400
Service specific audits (Tier 2)	Estimated Audit Days
City Operations	150
Communities, Housing & Customer Services	120
Economic Development	60

Service specific audits (Tier 2)	Estimated Audit Days
Education and Lifelong Learning	285
Resources	50
Social Services	250
Total	915
External (Tier2)	Estimated Audit Days
External clients	10
Grants	80
Total	90
Management (Tier 3)	Estimated Audit Days
Corporate work - committees, WAO etc.	50
Assurance mapping	20
CRSA development	25
Driving improvement	30
Financial Procedure Rules	100
Consultancy - advice and guidance	
Total	225
Contingency	180
TOTAL AUDIT DAYS	2,050
Assurance	
Audit, assurance and health checks	150
Consultancy - advice and guidance	140
Corporate Governance	100
TOTAL ASSURANCE DAYS	390
Investigations	Estimated Days
Pro-active work	100
Internal investigations – leading and support	180
Other fraud work	150
TOTAL INVESTIGATION DAYS	430
Risk & Governance	Estimated Days
Corporate Governance	75
Corporate Risk Management	115
TOTAL RISK & GOVERNANCE	190

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**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**

AUDIT COMMITTEE: 23 MARCH 2015

FRAUD, BRIBERY & CORRUPTION POLICY

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 8.3

Reason for Report

1. The purpose of this report is to present the Fraud, Bribery & Corruption Policy for the Audit Committee to consider and comment.

Background

2. This policy, formerly named the “Anti Fraud, Bribery & Anti Corruption Policy” was last reviewed and updated in 2011.
3. Whilst the main thrust of the Policy has not changed significantly in recent years, Members will be aware from regular reports received from the Audit Manager that the Council does deal with a number of cases of suspected fraud and financial impropriety and that there has been an increase in the number and complexity of these in recent times. This has emphasized the importance of having a policy in place which is fully understood and implemented consistently across the Council.
4. In July 2014 the responsibility for investigating benefit related frauds transferred to the Department for Work and Pensions under the Single Fraud Investigation Service initiative, which impacted on the work undertaken within the Audit team. Members will be aware a resource has been retained to target non benefit related fraud.
5. There is a detailed review underway of the Council’s Disciplinary Policy and Procedure which has a direct impact on how suspected cases of fraud and financial impropriety investigations will be handled and thus it has been decided to present both of these to Cabinet at the same time, this is scheduled for May Cabinet.

Issues

6. The Policy (see Appendix A), sets out how the Council will prevent, detect and investigate any suspicions of fraud or financial impropriety both from within and referrals received from outside the Council, setting in place a framework to ensure a consistent approach. The opportunity has been taken to set out clearly the expectation of officers working within the Council and those who have dealings with the Council, in terms of our “zero tolerance” approach to this type of activity.

7. The Section 151 Officer, under her responsibility for overall financial stewardship, plays a key role through the work of the Investigation team, within Internal Audit. Under the Council's Financial Procedure Rules, Audit are required to be involved with investigations in all suspected cases of fraud, bribery and financial impropriety. The officers within Internal Audit are professionally trained in undertaking Investigations including PACE interviewing, surveillance etc.
8. The policy highlights where the Council is proactive in adopting prevention and detection techniques and sets out a detailed process for investigation of cases to ensure these are undertaken to professional standards and in a consistent manner.
9. The procedures do recognise the role of Senior Management in terms of their responsibility for financial control and the actions of their members of staff, but with the requirement that Internal Audit has to oversee and be content with how the investigation is undertaken and reported.
10. The main changes made have been to remove reference to the investigation / prosecution of benefit frauds as the responsibility to investigate benefit fraud transferred from the Council to the Department for Work and Pensions in July 2014 and to emphasize the zero tolerance approach given the increasing trend of referrals in times of austerity where it is even more important that all frauds are identified and acted upon as a priority.

Reason for Recommendations

11. To receive and comment upon the updated Policy, taking into account recent changes to the responsibilities for the investigation and sanctioning of benefit fraud.

Legal Implications

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

Financial Implications

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

Recommendation

14. To consider and comment on the policy update as considered appropriate.

**CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES**

The following Appendix is attached:

Appendix A – Fraud, Bribery & Corruption Policy



Fraud, Bribery & Corruption Policy

A guide to the City of Cardiff Council's approach to preventing fraud, bribery and corruption, and managing suspected cases

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PURPOSE OF THE POLICY	<u>1</u>
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FRAUD, BRIBERY AND CORRUPTION POLICY

PURPOSE OF THE POLICY

1. The Council is one of the largest employers in Wales, delivering services to approximately 340,000 people, with assets, interests and annual transactions running into billions of pounds. This policy details how the Council will deal with its responsibilities in relation to fraud, bribery and corruption, whether it is attempted on the Council or from within it.
2. The Council's reputation is underpinned by ethical behaviour, financial probity and honesty. Fraud, bribery, corruption or other dishonesty adversely affects the Council's reputation and puts its ability to achieve its policies and objectives at risk by diverting the Council's limited resources from the provision of services to the people of Cardiff.
3. The Council has a zero tolerance approach to fraud, bribery and corruption and in managing its responsibilities is determined to protect itself against fraud and corruption both from within the authority and from those who have dealings with the Council. The Council is committed to an effective Policy designed to:
 - encourage prevention
 - promote detection
 - identify a clear pathway for investigation
 - act as a deterrent against future fraud or corruption
4. Members and staff are an important element in the Council's stance on fraud, bribery and corruption and they are expected to be alert to the possibility of such activity in all their dealings and are positively encouraged to raise any concerns associated with the Council's activities, either currently, or in the past. They can do this in the knowledge that such concerns will be properly investigated.
5. The Council requires Members and employees at all levels to lead by example in adhering to legal requirements, financial and contract rules, codes of conduct and prescribed procedures and practices.

FRAUD PREVENTION

Policies, Action and Awareness

6. The Council uses a number of methods to deter potential fraudsters from committing or attempting fraudulent or corrupt acts (including bribery) whether they are inside and/or outside of the Council, including:-
 - Having a zero tolerance approach to fraud;
 - Publicising the Council's determination to prevent and detect fraud, bribery and corruption e.g. clauses in contracts, publications etc;
 - Acting robustly and decisively when fraud, bribery and corruption are suspected

and proven e.g. the termination of contracts, dismissal, prosecution etc;

- Taking action to recover any losses through fraud, bribery and corruption e.g. through agreement, Court action, penalties, insurance etc;
- Having sound internal control systems, which allow for innovation, whilst limiting opportunities for fraud, bribery and corruption;
- Optimising the publicity opportunities associated with anti-fraud and corruption activity within the Council and, where appropriate, publishing the results of any action taken, including prosecutions in the media.

Recruitment and Training

7. The Council recognises that a key preventative measure in the fight against fraud, bribery and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of candidates in terms of their propriety and integrity. Staff recruitment is, therefore, required to be in accordance with procedures laid down by the Council. In particular, written references regarding known honesty and integrity of potential staff must be obtained before employment offers are confirmed. Where appropriate, Disclosure and Barring Service (DBS) checks will also be undertaken before appointments are confirmed.
8. It is essential that the Council delivers appropriate training to employees that relates to identifying possible fraud, bribery or corruption and that this is tailored for employees who are involved in internal control systems and financial and finance related systems. The development of appropriate knowledge and skills in respect of fraud awareness, prevention, detection and investigation applies more widely across the Council than those directly engaged in investigative work.
9. Senior Managers have a responsibility to understand and implement this policy in seeking ways of preventing fraud by working with employees specifically involved in the review of internal control systems and investigative work.

Procedures for Preventing and Detecting Fraud

10. There are a wide range of procedures in place to minimise the risk of fraud that constitute a major part of the Council's system of internal control, designed to ensure the Council conducts its business properly and effectively and completes its transactions fully, accurately and correctly.
11. The Council aims to have in place efficient and effective systems of control that as far as possible prevent potential fraudsters from exploiting weaknesses. The prime responsibility lies with senior management who are expected to design and operate systems and procedures that will minimise losses due to fraud, bribery, corruption and other dishonest action. The Council's Internal Audit Team supports senior management through an independent appraisal of the integrity of all internal control systems and assists with or leads investigations as appropriate.

12. Key documents in the prevention of fraud and corruption are the Council's Financial Procedure Rules and Contract Standing Order & Procedure Rules which must be adhered to at all times. Employees are expected to abide by their professional [Codes of Conduct](#) and the [Local Government Wales Code of Conduct](#). Members are required to adhere to the Council's [Members' Code of Conduct](#).
13. Employees are reminded that they must operate within Section 117 of the Local Government Act 1972, regarding the requirement to disclose any pecuniary interests in contracts relating to the Council and not to accept any fee or reward other than their proper remuneration. Employees are also required to comply with other Council policies such as those relating to gifts and hospitality etc.
14. Any failure to comply with this policy may result in disciplinary proceedings in accordance with the Council's [Disciplinary Policy](#).
15. The County Clerk is the appointed Monitoring Officer in line with the Local Government Act 2000. This role includes overall responsibility for the Council's [Whistleblowing Policy](#).

DETECTION

16. It is important that there are ways of detecting fraud when it happens. Most systems will have controls to measure the throughput of transactions and provide management reports for monitoring as a means of identifying suspected fraud.
17. The work of both Internal and External Audit is primarily to ensure controls are embedded into systems as a prevention measure, but as part of their work around compliance etc they will be proactively looking at areas where there is increased risk of fraud or financial impropriety and reporting any suspicions that arise. Management should also have inbuilt mechanisms to support early detection of anything untoward.
18. It is the responsibility of all managers, Members and employees to prevent and help detect fraud, bribery and corruption and refer suspicions to Internal Audit.
19. The Council is committed to exchanging information with other local and national agencies in order to identify and prevent fraud using data matching techniques. Such activity is carried out in full compliance with the Data Protection Act and with the Audit Commission's Code of Practice for the National Fraud Initiative, Data Matching exercises, and includes providing information to other agencies for data matching purposes. Any employee found to be perpetrating fraud, bribery or corruption against a local or national agency could be the subject of disciplinary proceedings which could result in dismissal. Internal Audit undertakes the NFI Data Matching exercise at least every 2 years.
20. With the increase in recent years of fraud perpetrated against a variety of public bodies, which usually involves fraudsters having multiple identities and addresses, the necessity for liaison with other organisations has become paramount. Some of these include Police forces, the Audit Commission, Universities and Colleges, Student Loans Company, HM Immigration Service, Department for Work and Pensions and the National Anti Fraud Network.

21. Fraud, bribery or corruption is often detected because employees and the public are alert to this activity. Any person who suspects fraud or financial impropriety has a responsibility to report this and if in doubt, should contact Internal Audit for advice. All referrals will be considered, but officers must not abuse the process by raising unfounded or malicious allegations.
22. Depending on the nature and anticipated extent of the allegations, Internal Audit will work closely with Directorates, other agencies and, as appropriate, the Police, to ensure that all allegations are properly investigated and reported upon.

REPORTING

Employees

23. Under the [Financial Procedure Rules – Section 4](#), Senior Managers are required to notify the Audit Manager immediately when any matter arises which involves, or is thought to involve, a breach of security, theft, or irregularities concerning cash, stores or other property of the Council, or any suspected irregularity in the exercise of its functions.
24. Suspected fraud can be notified in a number of ways, but in all cases it is important that employees and/or the public feel confident to report their concerns and are clear of the means by which they are able to do so.
25. If an employee discovers suspected fraud then they should first report the matter as soon as is practicable, to their line manager. Line managers should attempt to establish as many details as possible (by discussion with the notifying officer only).
26. If the concern relates to the employee's line manager, the notifying officer may consider reporting their concerns direct to the Audit Manager or the Section 151 Officer.
27. Following any notification of fraud, financial impropriety or irregularity, Management should in the first instance take the following actions:
 - a. Send an email to the Group Auditor Investigations, d.hexter@cardiff.gov.uk summarising allegation(s), including as much detail as possible;
 - b. Determine and agree with the Group Auditor Investigations who will lead the investigation i.e. Directorate or Internal Audit;
 - c. Determine and agree with the Group Auditor Investigations who will initiate actions where the allegation is against an employee.
28. The overall responsibility for investigating suspected fraud, bribery, corruption or financial impropriety rests with management of the employing Directorate; however, the Section 151 Officer has overall responsibility for financial stewardship throughout the Council and as such seeks assurance, through the Audit Manager, that a proper investigation is undertaken.

29. For the majority of allegations a Director/Assistant Director will appoint an Investigating Officer from within their own Directorate and it is important that this person is of sufficient grade, seniority and status with the appropriate skills, experience and training to undertake the role. Ideally, the Investigating Officer should be independent of the area where the suspicion has arisen to reduce the risk of any conflict of interest.
30. For all Investigations where the Investigating Officer is appointed from within the employing Directorate, support will be provided by an Investigator from the Internal Audit Team, who will provide professional advice and guidance and ensure proper process is followed in accordance with this policy.
31. There may be certain circumstances i.e. serious and/or complex cases or where monitoring of an employee's movements are involved, where discussion with the Group Auditor Investigations determines that it will be more appropriate for Internal Audit to lead the investigation.
32. Where the circumstances suggest a criminal offence has been, or is about to be committed, then consideration should be given to referring the matter immediately to the Police. Internal Audit can advise on this and need to be informed, at the earliest opportunity. In such circumstances reference should be made to the guidance "Police involvement in allegations against Council employees" contained within the Council's [Disciplinary Policy, Procedures & Guidance Notes](#).
33. Every effort should be made to protect the interest of any person who honestly reports a suspicion of fraud or corruption to try to ensure they do not receive any adverse treatment as a consequence of making such a report.

Members of the Public

34. The Council's website www.cardiff.gov.uk hosts an [online referral form](#) which may be completed by members of the public to report their suspicions.
35. Alternatively the Internal Audit Investigation Team can be contacted as follows:
Email: fraud@cardiff.gov.uk
Telephone: 029 2087 2284
Post: Audit Manager, Internal Audit Section, Financial Services, County Hall, Atlantic Wharf, Cardiff CF10 4UW. All mail to Internal Audit is delivered unopened.
36. Any member of the public wishing to report suspicions of a breach of security, theft, or irregularities concerning cash, stores or other property of the Council, or any suspected irregularity in the exercise of the functions of the Council, should in the first instance refer to information, guidance and FAQ's available on the Council's Fraud web page at www.cardiff.gov.uk. ([Your Council/Council Finance/Managing the Council's Finances/Fraud](#)).

INVESTIGATION

37. The Internal Audit Investigation Team is professionally trained and follows methodology in accordance with professional standards. The team is available to offer advice and support to Investigating Officers. The team has a responsibility to provide assurance to the Section 151 Officer that all suspicions of fraud, bribery and corruption and financial impropriety are dealt with in an effective, efficient and consistent manner and it is important it works closely with the Directorate where fraud, bribery, corruption or financial impropriety is suspected.
38. In all investigations undertaken by the Council or the Police into fraud, bribery or corruption, the Council requires full co-operation to demonstrate and preserve transparency, integrity and accountability for the public funds it administers.
39. Whether the investigation is led by a Manager from within the employing Directorate or from within Internal Audit, it is important that both are kept fully informed and that there is an ongoing dialogue as the investigation proceeds.
40. Following an assessment of the case, where it is decided further investigation is not appropriate, then this will be agreed between the Investigating Officer and the Internal Audit Investigator. The officer who raised the initial concern will be notified with the reason why the matter is not being pursued.
41. All investigations into the conduct of officers will be undertaken in accordance with the Disciplinary Policy and Procedure.
42. If at any time there is a suspicion or an allegation that a serious crime may have been committed (or is about to be committed) the Directorate, in conjunction with the Audit Investigation Team, should immediately report the matter to the Police (see paragraph 32).
43. Throughout all investigations the Investigating Officer will retain material obtained as part of the investigation. This includes not only material coming into the possession of the investigator (such as documents seized) but also material generated by them (such as interview records).
44. The Investigating Officer will ensure that interviews are conducted and statements taken in accordance with relevant Council policy and procedures.
45. The Council's [Disciplinary Policy, Procedures & Guidance Notes](#) will be used where the outcome of the investigation indicates any evidence of employee misconduct.
46. Where a case to answer is established against an employee, this will be managed in accordance with the Disciplinary Policy. Internal Audit will report anonymised Disciplinary Hearing outcomes and sanctions relating to fraud, bribery, corruption or financial impropriety to the Audit Committee.

POST INVESTIGATION

47. The Investigating Officer is responsible for identifying and reporting on failures to comply with procedures and/or control failings, however, it is important that Internal Audit works closely with Directorate colleagues to ensure that all control issues relating to any suspected financial impropriety are identified along with appropriate actions to target weaknesses.
48. Where applicable the Investigating Officer should incorporate weaknesses or failings in a report/action plan (along with appropriate recommendations to address the control issues) which will be forwarded to the Director for him/her to consider and act upon.
49. Internal Audit will follow up the issue of a report/action plan after 3 months to confirm all recommendations have been implemented or ensure progress is being made towards doing so.
50. Where Directorates do not respond to the report/action plan, or there are delays in taking action, this will be referred to the Audit Manager and consideration will be given to advising the Section 151 Officer and Audit Committee.

COUNCIL MEMBERS

51. The County Clerk and Monitoring Officer, in liaison with the Audit Manager, will arrange for an appropriate investigation of referrals, in accordance with the [Member's Code of Conduct](#).

CONTACTS

52. Initial contact on any matters relating to investigations should be with David Hexter, Group Auditor Investigations, Tel: (029) 2087 2284, alternatively, contact the Audit Manager, Tel: (029) 2087 2248.
53. Further guidance relating to making a fraud referral can be found on the Council's internet site at www.cardiff.gov.uk ([Your Council/Council Finance/Managing the Council's Finances/Fraud](#)).

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AUDIT COMMITTEE: 23 MARCH 2015

FRAUD RELATED MATTERS

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 8.4

Reason for Report

1. The purpose of this report is to provide Members with an update on fraud related items reported previously to Audit Committee, namely, the National Fraud Initiative (NFI) Data Matching Exercise, Housing Fraud and a summary of fraud referrals for the last quarter of 2014/15.

Background

2. The Audit Manager will be producing an Annual Audit report at the end of March 2015, outlining work undertaken over the past financial year and providing his opinion in terms of the overall control environment. This will summarise all audit and fraud referral statistics.
3. As such, only a brief report will be prepared relating to Quarter 4 for the March Audit Committee meeting, but it was considered important for an update to be provided on a few fraud related matters.

Issues

4. Appendix A provides an updated position regarding the National Fraud Initiative with an analysis of referral types. Included in these are those relating to potential housing matches.
5. The NFI referrals show a high level of potential matches, around 20,000 of which 6,849 are assessed by the Audit Commission as red risk and thus worthy of prioritisation. Membership of NFI is mandatory and we are required to provide the data on which the matching is undertaken, and there is an expectation that we examine the risks to identify any potential frauds. Experience has shown a relatively poor return on these cases which indicates a need to manage resources devoted to these potential matches.
6. The Audit team act upon many of the referrals but also refers some to others to consider and the Group Auditor (Investigations), based in Audit, monitors all cases and ensures the NFI database is completed for all matches referred.
7. The attached Appendix also provides details of cases referred to the Audit team since cases were last reported (January 2015). A new policy is being presented to this Committee that highlights a zero tolerance approach to fraud and financial impropriety and encourages a

more consistent approach to sanctioning, Audit management have also been engaged with updating the Council's disciplinary policy, currently being finalised, to ensure consistent messages relating to fraud investigations.

Legal Implications

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

Financial Implications

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

Recommendations

10. Audit Committee note the content of this report.

Derek King/Bob Jones
Audit Manager
March 2015

The following Appendices are attached:

Appendix A: Fraud Related Matters - Briefing

Internal Audit Investigation Team

National Fraud Initiative

Cardiff Council participates in the Audit Commission's data matching exercise – the National Fraud Initiative. The exercise continues to play an important role in protecting the public purse against fraud. By working together organisations have already prevented and detected in excess of £1.17 billion of fraud and error since NFI started nearly twenty years ago.

The team takes the lead on proactive counter fraud work and the Group Auditor (Investigations) is the key contact for the Audit Commission's, data matching exercise, the National Fraud Initiative.

During January more than 23,000 matches were identified as potential frauds and anomalies, of these 6,849 have been identified as matches that the Audit Commission recommends are interrogated.

Area	Number	(example) Narrative
Alcohol licence	1	Possible identity fraud
Blue Badge	291	Obtaining more than 1 badge / deceased
Concessionary travel	4,136	Pass holder may have died
Creditors	823	Duplicate payments, overpaid VAT
Housing Benefit	1,142	Benefit fraud
Housing Tenants	26	Tenant resident at 2 different addresses
Insurance	16	Identify potential serial claimants
Payroll	127	Employee and creditor linked
Pensions	98	Possible abatement / pensioner died
Personal budgets	2	Personal budget recipient may have died
Residential care home	4	Resident may have died
Resident Parking Permits	153	Permit holder may have died
Right to buy	30	Right to buy property disposed of
	6,849	

Internal Audit takes the lead and either undertakes the initial sifting or passes matches to relevant departments to carry out this task. Cases that are flagged as potential frauds are passed back to the Internal Audit Investigation Team to investigate.

From the matches received we have already identified two cases where a residential care home had received payments after the resident had died, we will now recover £8,552.

Housing Fraud

My briefing report in December referred to the housing fraud matches and the update is as follows:

Of the 6,849 recommended matches, 56 relate to housing tenant / right to buy matches with anomalies which indicate possible false applications, false tenancies, illegal sublets, ineligible tenants and multiple tenancies, or individuals who may have disposed of a right to buy property within the discount period. The matches have been assigned to an investigator and are currently being prioritised to identify cases which may relate to properties or discounts which may be recoverable.

We have volunteered to participate in a further data matching pilot exercise with the Audit Commission and have submitted social housing waiting list data. The matches should be issued to us during March/April 2015 and aims to identify ineligible applicants, or those who have misrepresented their circumstances, or made false applications for social housing.

Fraud Referrals – Quarter 4

The following Employee / workforce related investigations have been concluded since last reported in January (as at end of Feb 2015) :

Allegation	No	Area	Outcome
Inflated hours	1	Education and Lifelong Learning	Resigned
Loss of Vehicle	1	Sport, Leisure	Employee no longer employed
Speeding vehicles	1	Council Wide	Briefing produced
Theft	1	Economic Development	Not substantiated
Theft / Procurement fraud	1	Schools	Prosecuted
Theft cash	2	Children's / Schools	Not substantiated
Waste collection for cash	2	Environment	Not substantiated
	9		

**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**

AUDIT COMMITTEE: 23 MARCH 2015

OUTSTANDING ACTIONS

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 9

Reason for Report

1. The purpose of this report is to update Members on some of the outstanding actions from the Audit Committee's Action Plan.

Background

2. A clear message arising from the Audit Committee self assessment workshop, held in January, was the need to reduce meeting agenda items and for matters of interest and action updates to be by way of an information briefing report at future meetings.

Issues

3. A number of outstanding actions have been progressed and the briefing at Appendix A provides an update on these. This will help reduce the outstanding Action list significantly.
4. The majority of these relate to audit matters, where Members have been asked to be updated on some key audits or area where further work has been undertaken, normally where Limited assurances has been given in the past.

Legal Implications

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

Financial Implications

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

Recommendations

7. Audit Committee note the content of this report.

Derek King/Bob Jones
Audit Manager
March 2015

The following Appendix is attached:

Appendix A: Outstanding Actions Briefing containing:
Annex 1: Safeguarding & Review Letter and Executive Summary
Annex 2: Schools in Deficit Information

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OUTSTANDING ITEMS UPDATE

For information

Audit related

Scrutiny referral - Invest to Save Review

This review was undertaken following a request from Policy Review and Performance Scrutiny Committee. The review has been completed and overall a satisfactory audit opinion has been given. A lessons learned discussion has been held between the auditor and relevant accountants.

Business Continuity - IT Infrastructure – audit follow up

A follow up audit was undertaken of Business Continuity (IT) in December 2014, and assurance can now be given that the controls tested were satisfactory. Of the previous 12 recommendations, nine (75%) have been fully implemented, and the remaining three have been partially implemented. These are not considered significant and are still being considered. Improvements in all areas examined were noted.

One additional recommendation was raised in respect of a corporate risk / issue relating to a noticeable increase in requests for ICT support due to reducing numbers in directorates with a loss of experience in some IT related issues at a time when ICT resources themselves are under pressure.

Payroll Overpayments- audit follow up

A follow up audit has been undertaken and findings reported in draft. This has recognised some progress in tackling the incident of overpayments but overall a limited assurance opinion is to be given as the number of cases is considered unacceptable, especially relating to schools. Audit has met with interested parties and it is hoped a final report will be completed soon. Details of individual cases have been shared with some Directors seeking assurances that control will be enhanced in these areas. The intention is to discuss this matter with the Chief Executive, given this matter has previously been referred to him, so he can take action to ensure the audit recommendations are acted upon. A review will be undertaken 6 months following issue of the final report.

Treasury Management - audit feedback

An audit of Treasury Management systems was completed in January 2015, and based on the work undertaken and samples tested during the audit, Satisfactory Assurance can be provided that controls are in place in this area. A Control Risk Self Assessment (CRSA) approach was utilised for the first time during this audit and proved to be successful in raising awareness of the key control areas. Following the completion of the CRSA document by the OM - Capital & Treasury, in which all fundamental financial systems in operation were considered and self assessed, a review was carried out by Internal Audit to identify those areas representing the highest risk and therefore necessitating examination. Testing was carried out in these areas and robust controls were found to be in place. The Action Plan consisted of one red/amber recommendation and immediate steps have been taken by management to implement this. Given the role that the Audit Committee plays in overseeing the treasury management function, I consider that this internal audit opinion provides assurance around the control environment in which the processes and procedures operate.

Property & Procurement Delegations follow up audit

This audit was suggested to provide assurance that the new thresholds for Member engagement in property and procurement decisions has been applied following the work of the Constitution Committee's Task & Finish Group into this matter.

Given the threshold was set at £1million for procurement decision consultation there has only been a small number of contracts awarded above this level since the change, but the audit has identified the need to demonstrate consistent adherence to these constitutional changes.

Audit fieldwork is ongoing, in which member consultation for land and property disposals will also be reviewed.

Letter to the Chair of Children's Scrutiny Committee

Following discussion at the Audit Committee meeting in January it was agreed that the Chair of Audit Committee send a letter to the Chair of Children's Scrutiny Committee outlining their concerns around a recent follow up audit of safeguarding which provided only limited assurance. A letter was sent on Monday 2nd February 2015 and the two Charis met on 20th February to discuss the matter. It was agreed a joint letter be sent to the Executive member expressing concern and seeking assurance around implementing the audit recommendations in timely fashion. This letter was sent on 2nd March 2015, copy attached (Annex 1). The situation will be monitored.

Other

School Budget

Following concerns raised at a previous Audit Committee meeting regards the delay in setting a school's budget, Members requested a list of all schools with a deficit budget with details of when the deficit would be eliminated. Such a list is attached for information (Annex 2).

Agenda item 9.1 –Executive
Summary Report – Safeguarding

CONFIDENTIAL DOCUMENT

Executive Summary Report –
Safeguarding - *contains exempt
information as defined in Section
100(l) (1A)of, and paragraphs 14 &
21 of Part 4 of Schedule 12A to, the
Local Government Act 1972*

By virtue of paragraph(s) 14 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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By virtue of paragraph(s) 14 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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ANALYSIS OF PRIMARY SCHOOLS BALANCES AS AT 31ST MARCH 2013			
Profit Centre	School	Bal as at 31st March 2014	Projected Balance Sheet as at 31st March 2015
EA008	Bryn Celyn Primary School	21,037.08	12,000
EA016	Coryton Primary School	15,710.69	-2,000
EA020	Danescourt Primary School	48,063.36	35,000
EA026	Glan Yr Afon Primary School	11,393.45	-1,000
EA041	Lansdowne Primary School	8,413.03	1,000
EA048	Meadowlane Primary School	25,589.43	-4,000
EA055	Oakfield Primary School	24,477.36	37,000
EA071	St Alban's R.C. Primary School	176,329.41	198,000
EA077	St Fagan's C.W. Primary School	26,268.28	11,000
EA080	St Joseph's R.C. Primary School	75,433.30	112,000
EA081	St Mary's R.C. Primary School	46,020.79	95,000
EA084	St Monica's C.W. Primary School	47,570.02	95,000
EA088	St Philip Evans R.C. Primary School	15,079.50	-4,000
EA089	Thornhill Primary School	6,933.89	-8,000
EA110	Ysgol Glan Morfa	44,364.61	43,000
EA111	Ysgol Gymraeg Nant Caerau	14,677.06	25,000
EA115	Ysgol Glan Ceubal	4,803.52	27,000
	Total Primary & Nusery	612,164.78	672,000

ANALYSIS OF SECONDARY SCHOOLS BALANCES AS AT 31ST MARCH 2013			
Profit Centre	School	Bal as at 31st March 2014	Bal as at 31st March 2015
EA120	Corpus Christi R.C. High School	41,507.15	-27,000
EA121	Mary Immaculate High School	75,121.11	-57,000
EA123	Bishop Of Llandaff C.W. High School	66,445.95	200,000
EA124	Michaelston Community College	549,629.10	655,000
EA125	Cantonian High School	1,287,786.25	1,282,000
EA126	Cardiff High School	79,487.29	-10,000
EA130	Glyn Derw High School	161,495.80	270,000
EA136	St Teilo's C.W. High School	250,601.57	-16,000
EA137	Whitchurch High School	79,859.32	400,000
EA140	Ysgol Gyfun Gymraeg Plasmawr	64,608.27	150,000
	Total Secondary	2,656,541.81	2,847,000

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Topic	Monday 08.12.14 at 2.00pm (CR4)	Monday 19.01.15 At 2.00pm (CR4)	Monday 23.03.15 at 2.00pm (CR4)	Monday 22.06.15 at 2.00pm (CR4)
Wales Audit Office		Self Assessment Exercise & Finance Service Review discussion	Annual Financial Audit Outline (to include revised statement of responsibilities)	Annual Improvement Report
	Corporate Assessment Update	Corporate Assessment Update	Corporate Assessment Update	Corporate Assessment Update
			Code of Audit Practice & Statement of Practice	Regulatory Prog. Update & Fee information 2015-16
Treasury Management	Performance Report	Performance Report	Performance Report	Performance Report
	Half Year Report	Strategy 2015-16	Treasury Management Practices 2015-16	
Finance	Budget Update	Budget Update	Budget Update	Budget Update
			Draft Statement of Accounts/Annual Governance Statement (report any changes in accounting policy)	Draft Statement of Accounts for 2014-15 (including Annual Governance Statement)
Internal Audit	Half Yearly Progress Report	Qtr. 3 Progress Update	Qtr. 4 Progress Update	Qtr. 1 Progress Update
		VFM Audits	Audit Strategy 2015-16	Internal Audit Annual Report 2014-15
Governance and Risk Management	Organisational Development Plan (Cllr Bale/Chief Executive/M Hamilton)		Draft Annual Governance Statement 2014-15	
		Audit Committee Annual Report Discussion		Audit Committee Annual Report 2014-15
	Audit Committee Annual Self Assessment Review 2013-14	Audit Committee Self Assessment Exercise	Audit Committee Self Assessment (2015) Feedback/Action Plan	
	Corporate Risk Register (Mid Year)			Corporate Risk Register (Year End)
	Information Governance Audit Report	Senior Management Assurance Statement Review		Senior Management Assurance Statement Review - Feedback
	Reflecting on Good Governance			
Operational matters / Key risks	Bridges & Structures	Risk & Challenges (Director Strategic Planning, Highways and Traffic & Transport)	Property and Procurement Delegations - effectiveness of new arrangements	Education - Annual Report on Governance in Schools (Director)
			Invest to Save - Value for Money	Attendance and Wellbeing Policy - Annual Sickness Absence Update
				PPDR Annual Update

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