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AGENDA

Pwyllgor	PWYLLGOR ARCHWILIO
Dyddiad ac amser y cyfarfod	DYDD MAWRTH, 20 MEHEFIN 2017, 2.00 PM
Lleoliad	YSTAFELL BWYLLGORA 4 - NEUADD Y SIR
Aelodaeth	Ian Arundale (Cadeirydd) Hugh Thomas, Gavin McArthur a/ac David Price Cynghorywr Ali Ahmed, Burke-Davies, Cowan, Cunnah, Howells, McGarry, a/ac Dianne Rees

*Tua
Amser.*

1 Ymddiheuriadau am absenoldeb

Ymddiheuriadau am absenoldeb

2 Datgan Buddiannau

I'w gwneud ar ddechrau'r eitem agenda dan sylw, yn unol â Chod Ymddygiad yr Aelodau.

3 Penodi Cadeirydd

Penodi Cadeirydd ac Is-gadeirydd i'r Pwyllgor Archwilio ar gyfer Blwyddyn y Cyngor 2017/18.

4 Cofnodion (*Tudalennau 1 - 10*)

Cymeradwyo cofnodion y cyfarfod a gynhaliwyd ar 14 Mawrth 2017 fel gwir gofnod.

5 Materion Gweithredol

6 Cyllid (*Tudalennau 11 - 12*)

6.1 Diweddariad ar Gyllid (gan gynnwys materion gwydnwch)

6.2 Datganiad Cyfrifon Drafft 2016 (gan gynnwys AGS) – i ddilyn

7 Llywodraethiant a Rheoli Risg (*Tudalennau 13 - 46*)

- 7.1 Adolygiad Datganiad Sicrwydd Uwch Reolwyr – Adborth – Sefyllfa Derfynol
- 7.2 Cofrestr Risg Corfforaethol (Diwedd Blwyddyn)

8 Swyddfa Archwilio Cymru (*Tudalennau 47 - 92*)

- 8.1 Cynllun Archwiliad Blynyddol 2017
- 8.2 Cynllun Archwilio Cronfa Bensiwn Caerdydd a'r Fro
- 8.3 Diweddariad ar Weithgarwch Swyddfa Archwilio Cymru

9 Teclyn Olrhain Swyddfa Archwilio Cymru/Astudiaethau Eraill
(*Tudalennau 93 - 130*)

- 9.1 Ymateb Rheolwyr i Adroddiad SAC ar Gynllunio Arbedion
- 9.2 Ymateb Rheolwyr i Adroddiad SAC ar Lywodraethiant Da Wrth Benu Taliadau Gwasanaeth Sylweddol

10 Rheoli'r Trysorlys (*Tudalennau 131 - 136*)

- 10.1 Adroddiad ar Berfformiad

11 Archwiliad Mewnol (*Tudalennau 137 - 168*)

- 11.1 Diweddariad ar Gynnydd
- 11.2 Adroddiad Cynnydd Archwiliad Mewnol 2016/17

12 Gohebiaeth Graffu

Dim gohebiaeth rhwng Cadeirydd y Pwyllgor Archwilio a Chadeiryddion Craffu

13 Camau sydd eto i'w Cyflawni

14 Diweddariad ar y Rhaglen Waith (*Tudalennau 169 - 172*)

15 Materion Brys

16 Dyddiad y cyfarfod nesaf

Cynhelir y cyfarfod nesaf ar 18 Medi 2017 (dangosol)

Davina Fiore

Cyfarwyddwr Llywodraethu a Gwasanaethau Cyfreithiol

Dyddiad: Dydd Mercher, 14 Mehefin 2017

Cyswllt: Graham Porter,

029 2087 3401, g.porter@cardiff.gov.uk

Mae'r dudalen hon yn wag yn fwriadol

AUDIT COMMITTEE

14 MARCH 2017

Present: D. Hugh Thomas (Deputy Chairperson in the Chair)
Gavin McArthur and David Price

County Councillors Howells, McGarry, Mitchell, Murphy and Walker

81 : APOLOGIES FOR ABSENCE

Apologies were received from Ian Arundale.

82 : DECLARATIONS OF INTEREST

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

Councillor Howells	Item 9.1	School Governor
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83 : MINUTES

The minutes of the meeting held on 24 January 2017 were approved as a correct record.

Matters Arising

The Head of Finance confirmed that the Committee received further details of the audit into Youth Centre inventories.

Finance

84 : FINANCE UPDATE

The Corporate Director Resources provided an update on the Council's financial position. The Director summarised the Month 9 position, the 2017/18 budget and the medium term position.

The Month 9 Monitoring report was presented to the Cabinet on 16 February 2017. Month 9 revenue monitoring showed a balanced position against the budget, an improvement of £537,000 compared to the position at Month 6.

Members were advised that the overall position continued to reflect financial pressures and shortfalls against budget savings targets. A shortfall of £6.253 million was reported against budget savings of £25.892 million. The Chief Executive and Corporate Director Resources had challenged directorates to take action to reduce overspends.

Members were asked to note a net variance of £18.5 million on the Capital Programme 2016/17. The majority of this variance was due to slippage, including a significant variance in relation to the new Eastern High School.

The 2017/18 budget was approved by Council on 23 February 2017.

Members were advised that in setting the 2017/18 budget the £24.880 million budget reduction requirement was addressed as follows:

- 30% cap on schools growth (non-pupil number) - £1.853 million
- Use of earmarked reserves - £1.500 million
- Savings - £17.007 million
- Council Tax increase 3.7% - £4.520 million

Accepted Savings proposals of £17.007 million in the 2017/18 budget were risk rated for achievability. No proposals were rated in the 'red' risk category.

The Chairperson invited questions and/or comments on the report. Those discussions are summarised as follows:

- Members raised concerns regarding the writing off of savings that were 'unachievable'. The Corporate Director Resources advised that whilst savings proposals are risk assessed, it was impossible to remove all risk entirely. Where savings cannot be delivered a judgement is made whether to write off the unachieved element. However, these decisions are not taken lightly. The Corporate Director advised that a further breakdown of the red / amber risks is contained in the 2017/18 budget report and that a contingency remained in place for unachieved savings.
- Members noted the increase in FTE posts, which followed reductions in FTE posts of many years. The recent net increase, mainly in Social Services, was in response to demands on the service addressing demand pressures and the requirements of the Social Services and Wellbeing Act
- Members asked whether savings proposals were subjected to robust external challenge. Officers advised that the savings proposals for 2017/18 had been subjected to challenge over a longer period.
- Officers confirmed that key performance indicators will be used to track the impact of the additional posts in Social Services.
- Officers confirmed that all savings proposals have been considered in respect of an initial Equalities Impact Assessment (EQA).

RESOLVED – That the financial information in respect of the 2016/17 monitoring position, the outcome of the budget 2017/18 and the medium term position be noted.

85 : ACCOUNTING POLICIES UPDATE

The Committee received a report providing Members with the draft accounting policies upon which the Statement of Accounts 2016/17 will be based. The key changes arising from the 2016/17 CIPFA Code of Practice were set out in the report,

along with information highlighting CIPFA Code of Practice updates beyond 2016/17 that are likely to have an impact on the accounts. Details of the key changes proposed in the Welsh Government consultation on Accounts and Audit Regulations was also included in the report.

Officers presented the report and provided a summary of the key changes.

Members sought clarification on the full impact of the proposal to change IFRS 9 Financial Instruments from 2018/19, and in particular the effect this would have in terms of the valuation of Cardiff Bus. Officers agreed to assess the proposal and its likely impact and report back to a future meeting of the Committee.

RESOLVED – That the draft accounting policies and assumptions and the update in respect of changes to future years' accounts be noted.

Governance and Risk Management

86 : AUDIT COMMITTEE DRAFT ANNUAL REPORT 2016-17

The Committee received the draft Audit Committee Annual Report for 2016/17 which was prepared following a review of the agenda and minutes during the municipal year. Members were advised that the Annual Report reflected upon and includes the results of the Audit Committee Self Assessment completed in September 2016.

Members were asked to consider the draft Annual Report to ensure that it adequately captured their views and was an accurate reflection of the Committee's performance in the municipal year.

RESOLVED – That the Audit Committee Annual Report 2016/17 be approved.

87 : DRAFT ANNUAL GOVERNANCE STATEMENT

The Audit Committee is required to review the Annual Governance Statement (AGS) prior to approval and to consider whether it reflects the risk environment and supporting assurances. The Audit Committee is also required to consider the Council's corporate governance arrangements against the good governance framework.

The Council had utilised this framework to identify evidence against the core and supporting principles set out in the report. The AGS summarises how the Council makes an assessment against the governance framework through three key elements:

- Statements from Senior Management, the Audit Manager and the Audit Committee
- Supporting information and evidence
- A Senior Management review of the Council's significant governance issues

In November 2016, the Audit Committee received a summary of the mid-year Senior Management Assurance Statement (SMAS) responses. The Committee commented that a significant number of responses reflected a disclosure of 'fully in place' across

many areas. It was agreed that officers would review the process and provide a clearer picture of the extent to which good governance was in place.

Members were advised that the SMAS pro-forma was subsequently reviewed and a more challenging and evidence-based process was agreed with SMT for the year-end position. Audit Committee will receive the analysis of the SMAS responses in June 2017.

An AGS Action Plan is owned and maintained by the Senior Management Team. The Action Plan represents the most significant governance issues. The Action Plan is reviewed on a biannual basis by the Chief Executive and Senior Management Team. The Audit Committee received the mid-year Action Plan in January 2017.

A Member commented that accountability for outcomes needed to be strengthened, possibly by linking to Job Descriptions and PPDR objectives. Furthermore, there was a need for greater understanding of what accountability means in terms of the consequences for failures and successes. Officers stated that the approach followed cascaded assurance and there was clear accountability built in, as evidenced by the SMAS.

Officers agreed to circulate further information to the Committee with regard to how the refreshed SMAS process works.

Following a request from a Member of the Committee, Officers agreed to give further consideration to how best to ensure that any external assurances received and detailed within the AGS are also more explicit in nature.

RESOLVED – That the report be noted.

88 : RISK MANAGEMENT INTERIM UPDATE

The Committee received a report providing an update on the progress made to improve risk maturity during 2016/17 and to provide a Quarter 3 Corporate Risk Register (CRR) update.

The Quarter 3 CRR was reviewed by the Senior Management Team (SMT) in January 2017. The Corporate Risk Map, CRR and CRR summary were appended to the report. Members were advised that since the last update received by the Committee on 29 November 2016 a corporate risk has been in development on Cyber Security. The risk was discussed at the Risk Management Steering Group and SMT in January 2017 and is being assessed and drafted for inclusion on the CRR at the year-end position.

Members were asked to note that at Q3 the Waste Management risk was reduced from 'Red' to 'Red/Amber' in recognition of the progress made in managing the risk to date. All other risk ratings remain unchanged.

The Chairperson invited comments on the report. A Member questioned whether the risk description 'Failure to reduce the cost of delivering Social Services' should be revised. Officers accepted the point and agreed to amend the risk description to reflect what has been achieved to address the risk.

Members suggested that the risk 'ICT Platforms Unsuitable/Outdated' be amended to include an understanding of the timescales over which the CRR seeks to address the risk. Officers advised that this risk is cyclical. ICT systems have a limited shelf-life and, therefore, this risk is ongoing.

A Member expressed an interest in a greater understanding of the relationship between directorate risk registers and the CRR and encouraged more challenge to directorates. The Committee was advised that the CRR represents the sum parts of risks identified and was the collective view of SMT. For example, 11 risks make up the Cyber Security risk.

RESOLVED – That the report be noted.

Wales Audit Office

89 : WALES AUDIT OFFICE ACTIVITY UPDATE

The Chairperson welcomed Matthew Coe and Steve Barry of the Wales Audit Office (WAO) to the meeting.

Matthew Coe addressed the Committee and provided an update on completed and planned WAO activity. Members were invited to comment on the WAO update.

Matthew Coe advised that WAO will provide comments on the AGS and provide a further update on activity at the June meeting of the Committee.

Steve Barry provided an overview of the WAO Local Government studies – studies conducted on an all-Wales basis and not related to individual local authorities. No matters relating to Cardiff were reported.

The Committee welcomed the document as it aided Members' appreciation of the Wales Audit Office functions.

RESOLVED – That the report be noted.

90 : FEE BENCHMARKING DATA UPDATE

With reference to an action point from the previous meeting of the Committee, Matthew Coe stated that benchmarking data, in terms of fees benchmarked against the fees of other core cities, was still publicly available in a presentation provided by WAO to the Committee in March 2016.

Members were asked to note that the WAO fees were likely to be reduced further this year, and that the reduction in performance audit fees was significant. It was suggested that consideration of WAO fees be deferred until the next meeting, when the actual fee was known.

The Head of Finance agreed to recirculate the presentation containing the core cities benchmarking data and request comments from Members.

RESOLVED – That:

- (1) Consideration of the WAO fees for 2017/18 be deferred until the meeting of the Committee to be held on 20 June 2017;
- (2) The Head of Finance circulate the core cities benchmarking data to Members of the Committee.

Treasury Management

91 : PERFORMANCE REPORT

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

The Committee received a report setting out the Treasury Management performance and a position statement at 28 February 2017. Allan Evans and Annette Simons summarised the report.

Members were advised that there had been little change since the Committee's consideration of the performance report on 27 January 2017, other than a slight reduction in borrowing.

RESOLVED – That the report be noted.

92 : TREASURY MANAGEMENT PRACTICES

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

The Audit Committee is responsible for undertaking scrutiny of accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and Practices. The Committee received a report setting out the proposed Treasury Management Practices to apply from April 2017.

Members were advised that the proposed TMPs are based on the requirements of the CIPFA Code and they also consider content suggested by the Council's Treasury Management advisors. An internal review of the TMPs was undertaken in February 2017. No significant concerns were raised.

The Chairperson invited comments on the report.

RESOLVED – That the report be noted.

Internal Audit

93 : INTERNAL AUDIT PROGRESS UPDATE

The Head of Finance presented the Internal Audit Progress Update report which provided Members with an update on the work of Internal Audit up to 24 February 2017. The report outlined the productivity performance of the section and the position in relation to the status of audits and the assurance opinions that have been completed.

Members were advised that the report identified 644 recommendations in 88 reports issued. The Head of Finance confirmed that 100% of the red risk recommendations have been accepted. The Audit Plan 2017/18 will focus on ensuring that the implementation of audit recommendations are captured and will be a priority for the Council.

Members were asked to note that Annex 1 to the report sets out the revision to the assurance ratings that will be implemented. The purpose of the new ratings is to provide clarity and consistency to both auditors and clients.

The Head of Finance summarised the key issues set out in the report. In response to a question, the Head of Finance advised that further detail, in terms of any fundamental audits and including a summary of findings at the various stages of audits which are in progress, would be reported to the Committee at its meeting on 20 June 2017.

RESOLVED – That the report be noted.

94 : INTERNAL AUDIT PLAN 2017-18

At its meeting on 24 January 2017 the Committee received the Draft Internal Audit Plan 2017/18. Members were asked to consider and comment on the draft Plan. Members were advised that the Plan has been developed further and was presented for approval. During discussions with Senior Management, a risk based methodology was used to shape the audit plan which clearly sets out internal audit activities for 2017/18.

Following a request from the Committee, the Head of Finance agreed that in the future new member induction training will include a briefing on Internal Audit's risk based methodology; induction training to include independent members of Audit Committee.

Members commented on both the allocation of days for Value for Money studies and Social Services in respect of governance and decision making. The Committee was advised that the Audit Plan will be periodically reviewed during the year and any changes reported at future meetings as part of the Audit Progress Update report.

RESOLVED – That the Internal Audit Plan 2017/18 be approved.

95 : AUDIT COMMITTEE TERMS OF REFERENCE

RESOLVED – That the revised Audit Committee Terms of Reference be approved.

96 : INTERNAL AUDIT CHARTER 2017-18

RESOLVED – That the Internal Audit Charter 2017/18 be approved.

97 : SCRUTINY CORRESPONDENCE

At its meeting of 24 January 2017 the Committee received a report outlining the work being performed by the five Scrutiny Committees through a review of correspondence from the Scrutiny Chairs. Members were reminded that the purpose of the report was to consider and determine whether any items contained within the correspondence merited further consideration by the Audit Committee.

At the January meeting, Members expressed concerns regarding the risk of duplication. The Audit Committee resolved that the Deputy Chairperson, in consultation with the Corporate Director and Head of Finance, agreed a refreshed format for the presentation of Scrutiny Committee correspondence.

Members were advised that reviewing scrutiny minutes and correspondence was good practice and already undertaken by the Internal Audit function in order to inform future planning assumptions and the allocation of resources. The Internal Audit Progress Update is a standing item on the Audit Committee agenda. It was therefore proposed that Audit Committee request the Head of Finance to ensure that the audit progress report includes any relevant items arising from Scrutiny Committees. Any correspondence between the Chair of the Audit Committee and Scrutiny Chairs will still be presented as a standing item.

RESOLVED – That the Committee approves:

- (1) That the Internal Audit Progress Update captures the work done in reviewing scrutiny correspondence, and that it be reported as a standing item going forward;
- (2) Any correspondence between the Chair of the Audit Committee and Scrutiny Chairs will still be presented as a standing item

98 : OUTSTANDING ACTIONS - STAFF TERMS AND CONDITIONS COMPARISONS

Officers advised that the comparison of staff terms and conditions within Welsh Local Authorities had been circulated to Members as a confidential document. The Deputy Chair requested that if any Member wished to comment on these matters then they should contact the Corporate Director or Head of Finance direct.

99 : WORK PROGRAMME UPDATE

RESOLVED – That the Work Programme Update be noted.

100 : URGENT BUSINESS

No urgent business was received.

101 : DATE OF NEXT MEETING

The next meeting of the Committee will be held on 20 June 2017, subject to agreement at Annual Council on 25 May 2017.

The meeting terminated at Time Not Specified

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

Mae'r dudalen hon yn wag yn fwriadol

**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD****AUDIT COMMITTEE:****20 June 2017**

FINANCIAL UPDATE**REPORT OF THE CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 6.1**

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for Governance, Risk & Control and also Financial Reporting. This report allows the Committee to be updated with reference to the above.
2. This report has been prepared to provide the Audit Committee with an outline of the initial work being undertaken in relation to budget preparation for 2018/19 and to advise the Committee on the current position in relation to the Council's outturn report for 2016/17.

Background

3. The Council's accounts for 2016/17 have been closed and work has been undertaken in relation to the preparation of the statement of accounts. The Outturn position for 2016/17 is likely to follow through on the position outlined in 2016/17 monitoring reports and will be reported to the Cabinet Meeting on the 6 July 2017. This report will be issued to Audit Committee at the point of publication. Work in relation to the in-year financial monitoring position for 2017/18 is still at an early stage and updates will be provided to the Committee as the year progresses. Initial work has also begun in relation to budget preparation for 2018/19 and a report outlining the proposed budget strategy will be presented to Cabinet in July. A brief summary of the key issues and areas for consideration is set out below. Further information on the 2018/19 budget process will be provided to the Committee later in the year.

Issues**2018/19 Budget Strategy**

4. The 2017/18 Budget Report identified a likely budget reduction requirement of £80.9 million over the period 2018/19 – 2020/21. The outline strategy to address the reduction requirement combined council tax increases, use of earmarked reserves, a cap to schools' growth and savings. As in previous years, savings formed the most significant component of the strategy with an estimated requirement of £60 million over the three-year period. Since early March, the Council's Senior Management Team has been collectively reviewing the strategy to enable early engagement with the new Cabinet.

5. A change in approach to budget setting was introduced in 2016/17, with clear emphasis placed on understanding how existing budgets could be reshaped over the medium term. This approach was a direct response to a marked deterioration in Local Government funding, which coupled with significant demand and price increases, placed Local Government budgets under significant pressure. The resultant exercise formed the basis of both the 2016/17 and 2017/18 budgets and outlined the potential shape of savings for 2018/19. However as this work is now two years old, and given that the financial challenges facing the Council show no signs of improving, it is timely to consider the shape of the Council's budget afresh along with the policy transitions that may be required over the period to 2020/21. This work will need to be considered in detail with the new Cabinet during the course of the year. The 2018/19 Budget Strategy Report which is due to be received by Cabinet in July 2017 will focus on 2018/19, to provide a platform from which to develop the detailed review of the medium term.

Reason for Recommendations

6. To inform Audit Committee of the Council's final outturn position for 2016/17 and to outline the work being undertaken in relation to the budget strategy for 2018/19.

Legal Implications

7. No direct legal implications arise from this report.

Financial Implications

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

RECOMMENDATIONS

9. To note the current position in respect of the out-turn report for 2016/17, and the work being undertaken in relation to the budget monitoring of 2017/18 and the budget strategy for 2018/19.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
June 2017

CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD



AUDIT COMMITTEE: 20 June 2017

SENIOR MANAGEMENT ASSURANCE STATEMENTS - 2016/17 YEAR-END

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 7.1

Reason for Report

1. The Audit Committee's Terms of Reference requires Members to review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk and internal control.
2. The Audit Committee is also required to consider the Council's corporate governance arrangements against the good governance framework by way of the process of compiling the AGS.

Background

3. The Senior Management Assurance Statements (SMAS) are a key self-assessment component of the AGS by the Senior Management Team (SMT) and are summarised in Appendix A. The results filter into an overall 'Assurance Statement' from the senior management team (Appendix B), and an 'Action Plan of Significant Governance Issues' (Appendix C), each of which are reported in the AGS.
4. On 14 March 2017 the Audit Committee received a copy of the draft AGS, and a report on the changes to the AGS assessment for the financial year 2016.17. The changes have been made to:
 - Promote improvements to governance through more open and transparent self-assessment processes, reporting and ownership by SMT.
 - Ensure adherence with a revised 'Delivering Good Governance in Local Government' framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE).

Senior Management Assurance Statements

5. A SMAS process has been in place for a number of years and the existing process involves each Director completing a SMAS disclosure on a biannual basis, with the year-end position being endorsed by the Chief Executive and captured as a key element of the AGS.
6. The opportunity has been taken to enhance the SMAS process at the year-end position, to move beyond a compliance assessment and into an assessment of governance

maturity. This is to enable an open assessment of the relative governance strengths and areas requiring attention.

7. The SMAS pro forma has subsequently been reviewed and it was agreed in the Senior Management Team (SMT) in March 2017 that each Director must engage their management teams in an evidence-based review, and that the assessment rating system would move from a 3-point compliance system to a 5-point maturity assessment, ranging from 'not in place', 'limited application', 'mixed application', 'strong application' to 'embedded'.
8. This more challenging and evidence-based process has aimed to demonstrate more clearly the different levels of achievement across directorates, and to facilitate proportionate priority actions for directorates, where required. The rating system is aligned to the Audit Committee Self-Assessment scale which is used for annual review purposes, in order to make the assessment more understandable and comparable.

AGS Action Plan

9. An AGS action plan of significant governance issues is owned and maintained by the Senior Management Team (SMT). It represents the most significant governance issues which require monitoring, reporting and management at the senior level, when reflecting on the results of the SMAS.
10. On a biannual basis the Chief Executive and all Directors each review the action plan of significant governance issues. They then meet collectively to discuss and agree the progress made against the action plan, any changes to its composition, and actions required. The year-end action plan is included in the AGS.
11. Audit Committee received the mid-year Action Plan in January 2017.

Issues

Senior Management Assurance Statements

12. There were 23 assurance statements answered by each Director, following engagement and review by their respective management teams. The results of the statements, summarised within 9 categories are included in Appendix A and translated into a senior management statement in Appendix B.
13. The results showed an overall 'strong' application of good governance across the assurance areas. The greatest maturity was identified in relation to performance management, upholding internal controls, compliance, the prevention and detection of fraud and monitoring and managing a challenging budget position. These areas were assessed as strong or above at rates between 71%-100%.
14. Risk management and programme and project assurance were assessed as having strong and above application at rates of 57% and 62% respectively.
15. Opportunities were identified to enhance the discipline of partnership governance and long term business decision making, for which there was a higher incidence of mixed application and evidence than other areas at 50% and 64% respectively.

16. The Senior Management Team met twice in May 2017 to discuss the SMAS results. In the first meeting the Chief Executive requested that a moderation exercise was conducted with each Director for his assurance on the consistency of scoring. Moderation took place towards the end of May, following which each Director took responsibility for submitting their final submissions.
17. The Chief Executive authorised the overall position on 30th May. At this point the need to prioritise actions for enhancement to enable 'strong' evidence of application across all areas was agreed. All Directorates have taken ownership of their assessments and the opportunity to focus on their individual areas for enhancement to governance maturity.

AGS Action Plan

18. Each member of the Senior Management Team contributed to an updated position against four existing significant governance issues. The following amendments were approved:
 - The Senior Management Team agreed in May 2017 that implementation of the actions from the 'WAO Corporate Assessment Follow On Report' are sufficiently underway to enable this matter to be removed as a significant governance issue.
 - One existing governance issue has been reframed and renamed 'relevance costs and decision making'. The issue formerly focused on the 'transparency of internal market prices', but now reflects a wider issue of cost awareness in business decisions, such as projects with greater accountability and transparency of charges and costs.
 - The remaining two significant governance issues carried forward were approved to remain unchanged on the action plan at the 2016/17 year-end ('Capacity and Decision Making' and 'Commissioning Capability and Capacity').
19. Fourteen suggested new issues were also discussed at the Senior Management meeting on 30th May 2017. At this meeting, having considered each and the extent of 'mixed application' in the self-assessments, it was decided that two new issues would be added to the action plan of significant governance issues as follows:
 - 'Partnership / Collaborative Governance' - based on fully determining and defining the level of governance, assurance and reporting required to ensure a consistent and proportionate approach is applied.
 - 'Robust and Sustainable Savings' - based on ensuring robust business cases consistently underpin achievable savings proposals to deliver sustainable services.
20. The majority of the other issues presented were considered to be either subsets of existing governance issues from the existing action plan, or having a link to a corporate risk, through which they already being managed and reported.
21. The issues in the action plan will continue to be managed and formally reviewed on a bi-annual basis in 2017/18. As a result of the review, the five issues to carry forward at the year-end position have been updated and are shown in Appendix C.

Reason for Recommendation

22. To enable the Audit Committee to review and comment upon the self-assessed elements of the AGS.

Legal Implications

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

Financial Implications

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

Recommendation

25. The Audit Committee to review and comment upon the self-assessed elements of the AGS, namely the Senior Management Assurance Statements', the resulting overall 'Senior Management Statement' and 'Action Plan of Significant Governance Issues'.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
20 June 2017

The following Appendix is attached:

Appendix A - Summary of Senior Management Assurance Statements 2016/17 (Year-end)
Appendix B - Senior Management Statement
Appendix C - Action Plan of Significant Governance Issues

Summary of Senior Management Assurance Statements 2016/17 (year-end)

Assurance Category		1. Not in Place	2. Limited Application	3. Mixed Application	4. Strong Application	5. Embedded	Strong +
1. Risk Management	%	0%	3%	40%	49%	8%	57%
	No.	0	1	14	17	3	35
2. Partnership / Collaborative Risk (governance)	%	0%	0%	50%	50%	0%	50%
	No.	0	0	7	7	0	14
3. Compliance with Policies, Rules Legal and Regulatory Requirements	%	0%	0%	29%	71%	0%	71%
	No.	0	0	4	10	0	14
4. Programme and Project Assurance	%	0%	9%	29%	62%	0%	62%
	No.	0	2	6	13	0	21
5. Budget Monitoring	%	0%	14%	14%	50%	22%	72%
	No.	0	2	2	7	3	14
6. Resource Savings (business cases & future generations)	%	0%	0%	64%	36%	0%	36%
	No.	0	0	9	5	0	14
7. Internal Control Environment	%	0%	0%	14%	81%	5%	86%
	No.	0	0	3	17	1	21
8. Fraud & Financial Impropriety	%	0%	0%	0%	100%	0%	100%
	No.	0	0	0	7	0	7
9. Performance Measurement & Management	%	0%	0%	10%	81%	9%	90%
	No.	0	0	2	17	2	21
Totals		0%	3%	29%	62%	6%	68%
			5	47	100	9	

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Senior Management Statement

As a Senior Management Team we have self-assessed directorate and corporate governance arrangements in place during 2016/17. The assessment was based on the governance maturity which we could evidence within each Directorate Management Team against a series of assurance statements. Each Director was responsible for completing a robust assessment of governance within their directorate and identifying and reporting significant governance issues. The Senior Management Team reviewed all returns in May 2017, from which the Chief Executive authorised the overall position.

We can report an overall assessment of 'strong' application of good governance across the assurance areas. This was based on a self-assessment using a 5-point rating system ranging from 'not in place', 'limited application', 'mixed application', 'strong application' to 'embedded'. The greatest maturity was identified in relation to performance management, upholding internal controls, compliance, the prevention and detection of fraud and monitoring and managing a challenging budget position.

The maturity assessment highlighted opportunities to enhance the discipline of partnership governance and long term business decision making for resource savings, for which there was a higher incidence of mixed application and evidence than other areas. The Senior Management Team recognises the need to prioritise actions for enhancement to enable strong evidence of application across all areas going forward. All Directorates are taking ownership of their assessments and the opportunity to focus on their individual areas for enhancement to governance maturity based on their respective assessments as we move into 2017/18.

The Senior Management Team collectively own the Corporate Risk Register and we have reviewed all corporate risks quarterly in 2016/17. We have also refreshed the risk escalation process at the financial year end to ensure we have systematic early identification and awareness of the most significant risks facing the organisation. A proportionate approach is taken to manage risks and allocate resources based on their assessed risk ratings.

The Senior Management Team collectively own an action plan of significant governance issues for which there has been steady progress in their management throughout 2016/17. In recognition of the progress made to address recommendations made in the WAO Corporate Assessment Follow On report 2016, this matter has been removed as a significant governance issue from the preceding year. The action plan is included in the annual governance statement 2016/17.

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Action Plan of Significant Governance Issues

Significant Issue	Year End Position 2016/17	Responsible Officer(s)
<p>1. Capacity and Decision Making</p> <p>The Council is facing unprecedented financial pressures where significant savings have had to be realised, consequently Directorates have seen a reduction in staff resources which increases the pressure on staff to have the capacity to provide professional and sound advice.</p>	<p>There is a continued need for horizon scanning so new pressures and different work demands are anticipated before they are required. This relies on good communication between customer service areas and central support functions. There is a responsibility of the corporate functions to ensure that the recommendations, policies and sanctions are proportionate in order to ensure that the integrity of the Council is not called into question. There needs to be clear communication as to why processes need to be followed and the risks in respect of processes not being followed. Where intense resources are required then Council needs assurance that these controls are set at an appropriate level.</p>	<p>Senior Management Team</p>
<p>2. Commissioning Capability and Capacity</p> <p>In the new Organisational Framework it is critical that we challenge current service provision and priorities. The success of a number of programmes depends on having this capability and capacity in place e.g. Health & Social Care transformation.</p>	<p>Retaining and further developing the commissioning capability and capacity remains a priority in the context of significant spend on commissioned services. Supply risks require ongoing monitoring and management, such as the risk that the marketplace may not be able to meet the social care and support needs of the population. Work is ongoing to embed Strategic Commissioning across the Council to ensure that reducing resources are clearly targeted to deliver identified and prioritised outcomes.</p>	<p>Senior Management Team</p>
<p>3. Relevant Costs and Decision Making</p> <p>Internal function activities and performance needs to be accounted for more transparently within the corporate whole. This includes ensuring greater cost awareness in business decisions, such as projects with greater accountability and transparency of charges and costs.</p>	<p>Work continues to be undertaken so that awareness of costs is raised across all areas of Council. Finance staff are connected to most projects and empowered to challenge whether or not all relevant costs are taken into account of a business decision.</p>	<p>Senior Management Team</p>

<p>4. Partnership / Collaborative Governance</p> <p>The level of governance, assurance and reporting required for the Council's partnership and collaborative activities needs to be more fully determined and defined to ensure a consistent and proportionate approach is applied.</p>	<p>New Governance Issue – added at year end.</p>	<p>Senior Management Team</p>
<p>5. Robust and Sustainable Savings</p> <p>There is a need to ensure robust business cases consistently underpin achievable savings proposals. In ensuring decisions encompass future generation needs there is also a need to ensure there is documented consideration of the sustainability of services and the mitigation of risks (e.g. assets, technology, HR and service delivery).</p>	<p>New Governance Issue – added at year end.</p>	<p>Senior Management Team</p>
<p><i>Removed Significant Governance Issue in 2016/17</i></p>		
<p>WAO Corporate Assessment Follow On Report</p> <p>The WAO Corporate Assessment Follow On report was received formally by Cabinet on 10 March 2016. The report made one formal recommendation and 14 'proposals for improvement' relating to various corporate matters including governance issues.</p> <p><u>Action at year end position 2016/17</u></p> <p>Remove as Significant Governance Issue</p>	<p>Action at year end position 2016/17</p> <p>The Statement of Action in response to the WAO recommendations was agreed by Cabinet on 21 March 2016. During 2016/17, progress has been monitored and subject to periodical reviews from WAO. Those interim reviews have been positive and acknowledged progress in all areas reviewed.</p> <p>Issue moved to business as usual for 2017/18.</p>	<p>Senior Management Team</p>

CORPORATE RISK MANAGEMENT UPDATE - QUARTER 4 2016/17

REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 7.2

1. To update and inform the Audit Committee of the risk management position in quarter 4 2016/17.
2. The Audit Committee's Terms of Reference sets out their responsibility in relation to governance, risk and control as follows.
 - To monitor and scrutinise the effective development and operation of the risk management arrangements within the Council, and;
 - To oversee progress in addressing risk-related issues reported to the Committee, such as the Corporate Risk Register (CRR).

Background

3. The Audit Committee receives an update on the CRR position on a quarterly basis, with risk management representing a standing item on the Committee agenda.
4. In March 2017, Audit Committee was provided with an update of the quarter 3 risk management position 2016.17. In this update Audit Committee was also advised of the formalisation of a new risk escalation process, subsequently introduced in quarter 4.
5. In addition to ensuring that all directorate and corporate risks are identified, reviewed, assessed and reported each quarter the extent of reporting and review required is based on the risk rating.
6. The risk escalation process is included in Appendix A, whereby each Director is required to personally review all residual (current) risks rated as 'red/amber' and above and, at a minimum, to escalate all 'red' residual risks to Senior Management Team (SMT) for collective review.
7. The risk escalation process has been formalised to ensure that the SMT receive systematic and timely risk information and analysis from each Directorate on a risk-priority basis.

Issues

8. Each Director has worked with their Risk Champions in undertaking a quarter 4 risk register review. The process has two tiers (Directorate and Corporate), and the actions at each are detailed as follows.

Directorate Risks

9. At the quarter 4 position, 319 risks were reported from Directorate Risk Registers. Each Director was responsible for reviewing and escalating risks in accordance with the refreshed process. A total of 14 risks were escalated to SMT and each were collectively discussed and reviewed.
10. Of the 14 risks escalated, 3 represented components of a cyber security risk which were each discussed. A new overall corporate risk on cyber security was agreed and added to the corporate risk register. Following the ICT Services Manager's (OM) attendance at Risk Management Steering Group in January 2017, an action has been agreed for his attendance at SMT. The purpose will be to provide specialist guidance and articulation of individual and collective accountabilities. Another risk on the 'non-completion of statutory building equipment maintenance' was also escalated to the Corporate Risk Register in the quarter 4 review.
11. The remaining 10 escalated risks were each discussed. The impact of each risk on the Council's corporate priorities was considered from which it was agreed that the accountability, management and reporting of the remaining risks should continue at a directorate level, with no further additions to the CRR merited.

Corporate Risks

12. There were 24 corporate risks in place prior to the quarter 4 review. Each risk owner reviewed their existing corporate risks from which risk and control narratives and improvement actions were updated. The update resulted in:
 - Some risk additions and risk removal from the CRR
 - Changes to some risk names / titles
 - An increase in the information governance risk rating ('B2' to 'B1')
13. The risk of failure to implement the 'Social Services and Wellbeing (Wales) Act 2014' was considered to be sufficiently addressed and has been removed as a corporate risk. SMT agreed that from quarter 4 this risk will be managed on the Social Services Directorate Risk Register. This is based on the governance arrangements which manage the risk as business as usual since the act was implemented in April 2016.
14. Two risks have been re-named at the quarter 4 position 2016.17. The risk formerly titled 'hostile vehicle mitigation' has been extended to emphasise that the risk is about 'public realm protection'. Additionally, the risk description 'Social Services – Cost' has been widened and now titled 'Social Services – Provision' to emphasise how this risk is managed through a focus on demand, supply, quality and cost factors.
15. In view of the increased obligations and financial penalties of the General Data Protection Regulation (GDPR), which will come into force in May 2018, the impact of this risk has increased from significant to major. Proactive work is underway to ensure that the risks represented by this forthcoming legislation are sufficiently understood and proportionately managed.
16. As outlined above, 2 new corporate risks ('Cyber Security' and 'Statutory Building Equipment Maintenance) were added at the quarter 4 position following Director escalation. The Corporate Risk Register now contains 25 risks.

17. The Corporate Risk Map is included in Appendix B, with the CRR summary and detailed versions included in Appendix C and D respectively.

Reason for recommendation

18. To enable the Audit Committee to monitor and consider the quarter 4 risk management position 2016.17.

Legal Implications

19. There are no direct legal implications arising from this report. However, one of the benefits of identifying risk is that mitigation measures may be taken, if appropriate, and consequently successful claims against the Council may be avoided altogether, or reduced.

Financial Implications

20. There are no direct financial implications arising from this report. The Corporate Risk register will be used to guide the Internal Audit Plan and the Council's resource planning processes and forms an important part of the governance arrangements for the Council.

Recommendation

21. Audit Committee to note and comment upon the Corporate Risk Register and developments to the risk management process, and to consider the information given in the programming of its work.

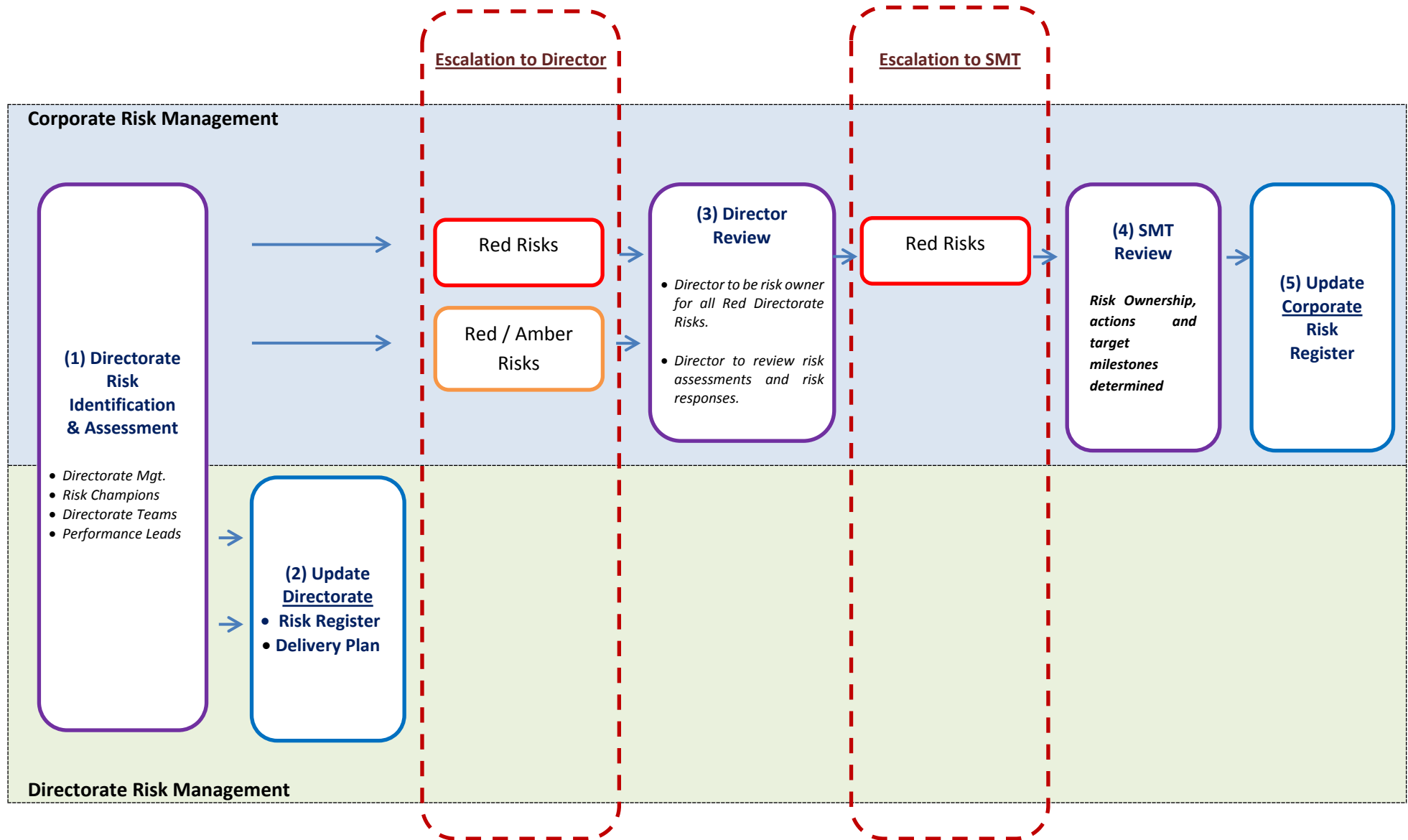
CHRISTINE SALTER CORPORATE DIRECTOR RESOURCES

The following Appendices are attached:

- Appendix A** - Risk Management Quarterly Review Process
- Appendix B** - Corporate Risk Map - Q4 2016/17 Position
- Appendix C** - Corporate Risk Register – Q4 2016/17 Summary
- Appendix D** - Corporate Risk Register – Q4 2016/17 Detailed

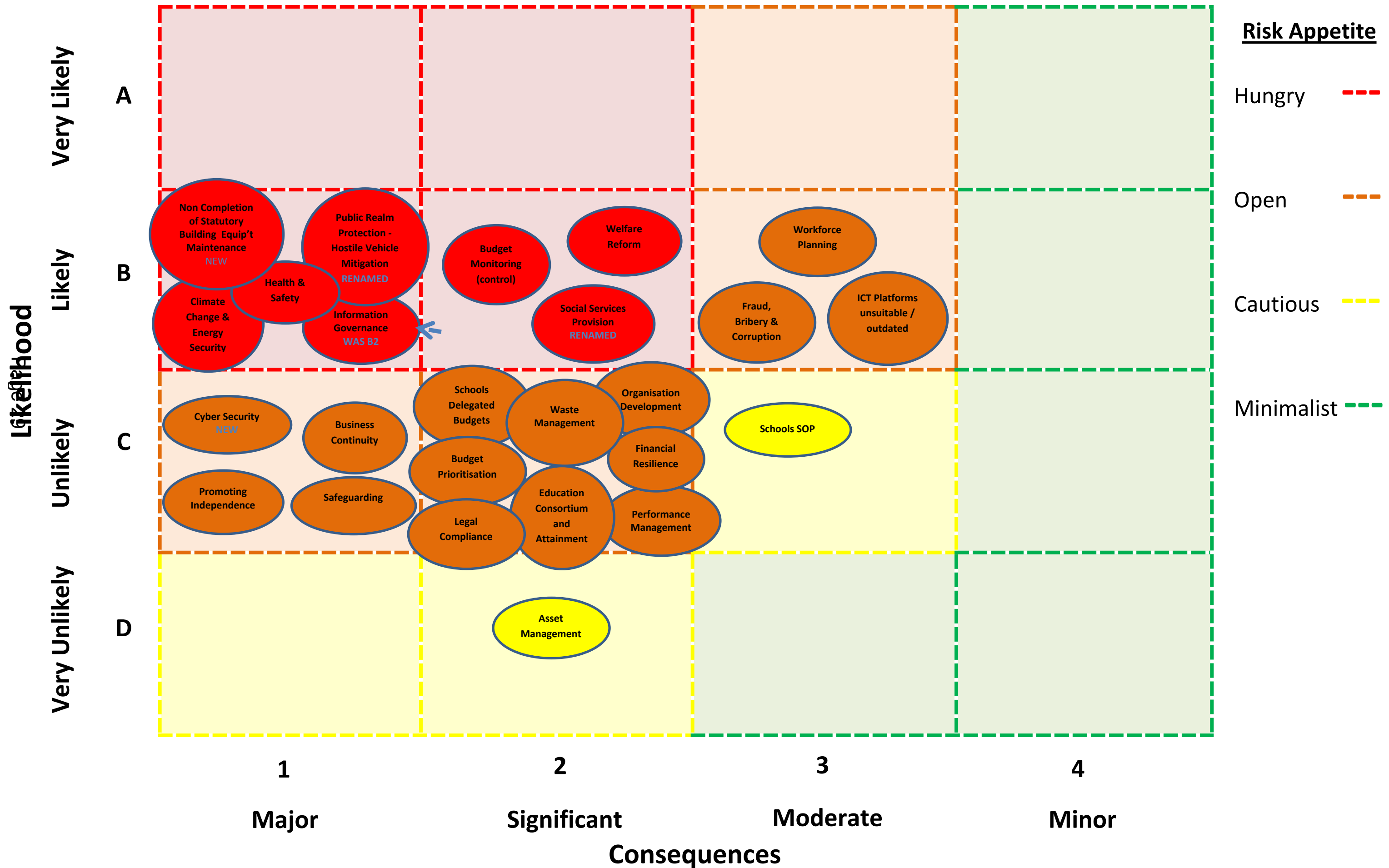
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Risk Management Quarterly Review Process



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Corporate Risk Register – 2016/17 (Quarter 4 Position)



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Risk Description	Inherent Risk	Residual Risk	Risk Owner
EVENT DRIVEN RISKS			
Public Realm Protection - Hostile Vehicle Mitigation Vehicle Borne Improvised Explosive Device (VBIED) detonating in an area identified as a high risk crowded place, as a result of the inappropriate boundary treatments and access control processes protecting and managing it.	High Priority A1	High Priority B1	Andrew Gregory
Welfare Reform That the Council cannot meet its statutory obligations with the increased demands and reduced budgets placed upon it by the Welfare Reform including: Universal Credit, further reduction in Benefit Cap, size restrictions for social tenants, restriction of social housing rents to LHA levels, removal of automatic entitlement to housing costs for under 21s. Lack of information, short timescales for implementation and the large number of citizens affected makes these changes a significant risk.	High Priority A2	High Priority B2	Sarah McGill (Jane Thomas)
Cyber Security The ability to protect information systems (hardware, software and associated infrastructure), the data on them, and the services they provide, from unauthorised access, harm or misuse. This includes harm caused by the operator of the system (intentionally or accidentally) as a result of failing to follow security processes. The principal external threat groups to information systems are categorised by HM Government as cyber criminals, states and state-sponsored, terrorists, hackers and script kiddies.	High Priority A1	Medium Priority C1 (Red/Amber)	Christine Salter (Phil Bear)
Waste Management Failure to achieve targets for Landfill. '0' allowance, specifically for Biodegradable Municipal Waste and WG statutory Recycling Targets. Ineffective delivery of recycling targets and residual waste treatment. Failure to comply with EU recycling waste directive.	High Priority B1	Medium Priority (Red/Amber) C2	Neil Hanratty
Education – Schools - SOP Large scale Capital Programme (£164m) with tight timescales for delivery, in context of very rapidly growing primary age school population.	High Priority B1	Medium Priority (Amber/ Green) C3	Nick Batchelar (Janine Nightingale)
ONGOING RISKS			
Non Completion of Statutory Building Equipment Maintenance A complete up-to-date accurate register of all relevant asset surveys requires completion. Currently statutory obligations testing is not organised in a consistent and centrally managed process across the Council. As a result there is a risk that all required testing may not be completed correctly. Also, there is no embedded technology in use consistently to manage the statutory obligations work or the storing of relevant statutory obligation documentation.	High Priority A1	High Priority B1	Neil Hanratty (Tara King)
Education Consortium & Attainment The Central South Consortium does not deliver effective services that challenge and support Cardiff schools to improve and Educational Attainment does not improve at the required rate.	High Priority B1	Medium Priority (Red/Amber) C2	Nick Batchelar (Angela Kent)
ICT Platforms Unsuitable/ Outdated The ICT platforms (desktop, software, network, servers, and telephones) will not be able to support the technologies required by the corporate change programme and deliver effective service to the council, or will not provide a reliable service due to age and condition of equipment and systems.	High Priority A2	Medium Priority (Red/Amber) B3	Christine Salter (Phil Bear)
Safeguarding Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners.	High Priority B1	Medium Priority (Red/Amber) C1	Tony Young & Davina Fiore
Budget prioritisation Failure to deliver the statutory obligation of setting a balanced annual budget and a fully informed Medium Term Financial Plan which takes into account statutory budget planning obligations (compounded by the risk of only receiving annual settlement figures from the Welsh Government).	High Priority A1	Medium Priority (Red/Amber) C2	Christine Salter (Ian Allwood)
Financial Resilience The Financial resilience of the Council over the medium term is significantly weakened so that it is financially unable to discharge its statutory obligations and services to the citizens of Cardiff.	High Priority A1	Medium Priority (Red/Amber) C2	Christine Salter (Ian Allwood)
Budget Monitoring (Control) Failure to achieve the budget set, inclusive of budgeted spend and savings across Directorates, with increased use of emergency finance measures and the drawdown of reserves.	High Priority A1	High Priority B2	Christine Salter (Allan Evans)
Health and Safety Ineffective compliance of health and safety through poor application and embedding of the 'Framework for Managing Health and Safety in Cardiff Council.	High Priority A1	High Priority B1	Christine Salter
Climate Change & Energy Security Un-preparedness to the effects of climate change due to lack of future proofing for key (social and civil) infrastructure and business development, and inability to secure consistent energy supply due to rising energy costs and insecurity of energy supply.	High Priority B1	High Priority B1	Andrew Gregory
Information Governance Information handled inappropriately leaves the Council exposed to intervention and financial penalties issued by the Information Commissioner (ICO). This includes information held by Cardiff Schools	High Priority A1	High Priority B1	Christine Salter (Vivienne Pearson)
Social Services – Provision Failure to provide robust and adequate social services in the context of increasing costs and limited resources.	High Priority B1	High Priority B2	Tony Young
Promoting Independence Failure to sustain an effective whole system approach that enables adults with significant health needs to remain in, or return to, their own homes and reduces the need for / length of hospital stays.	High Priority B1	Medium Priority (Red/Amber) C1	Tony Young
Performance Management A performance management culture is not embedded within the Council leaving the Council exposed to intervention by Welsh Government in line with the Local Government (Wales) Measure 2009 and associated requirements.	High Priority B2	Medium Priority (Red/Amber) C2	Christine Salter (Joe Reay)
Organisation Development OD projects fail to deliver the radical change required to deliver efficiency savings and service changes, due to service and resource pressures.	High Priority B1	Medium Priority (Red/Amber) C2	Christine Salter (Dean Thomas)
Business Continuity Large scale incident/loss affecting the delivery of services.	High Priority B1	Medium Priority (Red/Amber) C1	Christine Salter
Legal Compliance Changes in services and staff roles across the Council resulting in: - gaps in Council wide knowledge of the local authority framework of responsibilities and duties within which we have to operate; - inability to deliver the services in accordance with all duties and responsibilities due to lack of resource: in each case leading to increased risk of challenges. Reduction and changes in front-line services, discretionary and statutory, will lead to increased risks of challenge from users and other stakeholders affected.	High Priority B2	Medium Priority (Red/Amber) C2	Davina Fiore
Education – Schools Delegated Budgets Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans, impacting on the overall budgets for all schools.	High Priority A2	Medium Priority (Red/Amber) C2	Nick Batchelar (Neil Hardee)
Fraud, Bribery and Corruption Fraud, financial impropriety or improper business practices increase as internal controls are weakened as resources become severely stretched.	High Priority B2	Medium Priority (Red/Amber) B3	Christine Salter (Ian Allwood)

Risk Description	Inherent Risk	Residual Risk	Risk Owner
Asset Management Ensure effective operation of the Council's Asset Management Board to achieve effective strategic oversight and identified savings.	High Priority B2	Medium Priority (Amber/Green) D2	Neil Hanratty
Workforce Planning Importance of forecasting and planning to build capability and capacity for the future is not fully recognised and embedded.	Medium Priority (Red/Amber) B2	Medium Priority (Red/Amber) B3	Christine Salter (Philip Lenz)

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
EVENT DRIVEN RISKS										
<p>Public Realm Protection – Hostile Vehicle Mitigation</p> <p>Vehicle Borne Improvised Explosive Device (VBIED) detonating in an area identified as a high risk crowded place, as a result of the inappropriate boundary treatments and access control processes protecting and managing it.</p>	<p>Service Delivery / Reputation / Legal / Financial / Health & Safety / Financial / Partnership / Community & Environment / Stakeholders</p> <p>Potential for:-</p> <ul style="list-style-type: none"> Large no's of fatalities, injuries to public in crowded place. Extensive structural damage and/or collapse of surrounding buildings. Major fire. Damage/disruption to utilities (gas, electricity, water etc.) Immediate impact to businesses in the Cardiff area. Media coverage affecting public perception, leading to a loss of public confidence directly resulting in reduced business, retail and tourism revenues generated in the city. Area to be viewed as a risk for potential future business investment. Inability to attract major future national and international events (political, sporting etc.) Increase in demand for council services/support for all affected. Current economic climate to reduce the effectiveness of any recovery/regeneration of the area. 	A	1	High Priority	<ul style="list-style-type: none"> All existing identified high risk; crowded places have been formally assessed. Most crowded places have an extremely limited and in some cases 'third party managed' access control process to operate them; providing little/no challenge. Most crowded places have varying standards of boundary treatments protecting them; providing a limited/cursory visual deterrent but little/no protection from a hostile vehicle. CONTEST Protect/Prepare Task & Finish Group maintains the City Gateways Public Realm Enhancement Scheme, with agreed options for suitable PAS 68/69 mitigation for appropriate boundary locations; referred to as 'gateways'. 19 (38%) of the identified 'gateways' into the crowded places already benefit from PAS 68/69 mitigation in place, implemented as a direct result of Home Office (Crowded Places) and Olympic Legacy funding. The estimated cost for the procurement and installation of the PAS 68/69 mitigation and ancillary services is £3.6 Million. Work is ongoing with City Operations to advise developers across the city in relation to appropriate mitigation required. The Cardiff City Centre Access Control Protocol is currently operating at the heightened response level, reflecting the UK National Threat Level; permitting vehicles onto the pedestrianised areas within Cardiff City Centre using strict parameters. The Tabernacle Access Control Document is fully operational and sits and as an annex document to the main City Centre Access Control Protocol. It enables the Urban Traffic Control Officers to better manage Tabernacle 'users', covering their requirements whilst adhering to the existing Traffic Regulation Order. Wales Extremism and Counter Terrorism Unit (WECTU) Counter Terrorist Security Advisor's (CTSA's), the Emergency Services & Cardiff Council provide Project Argus and EVAC/Griffin training across the city to raise awareness for likely impacts associated with major incidents and in particular, terrorist attacks. The sessions also cover the support likely to be immediately available from the emergency services and Cardiff Council, the practical and simple preparations people/organisations can make prior to incident occurring to help themselves manage and recover from its impacts. 	B	1	High Priority	<ul style="list-style-type: none"> The CONTEST Protect/Prepare Group will continue to monitor and review the scheme to ensure it is fit for purpose until it is fully installed. The CONTEST Protect/Prepare Group will give a status report to the Cardiff CONTEST Board The CONTEST Board will continue to try and identify external funding sources/opportunities from Welsh Government, Central Government to conclude scheme and appropriately mitigate the risk. £500k grant has been awarded by Welsh Government to provide improvements to Hostile Vehicle Mitigation Measures. This grant has to be spent by 31st March 2017 and therefore City Operations have procured equipment / materials. £250k Financial Resilience Mechanism (FRM) funding has been allocated in 2017/18 for the delivery / installation of the above equipment and this will be delivered after the Champions League Final due to the need to design and procure a contractor for installation. The work that will be completed will improve the protection of the City Centre public realm but further funding will be required to conclude the protection of identified public realm. 	Andrew Gregory
<p>Welfare Reform</p> <p>That the Council cannot meet its statutory obligations with the increased demands and reduced budgets placed upon it by the Welfare Reform including: Universal Credit, further reduction in Benefit Cap, size restrictions for social tenants, restriction of social housing rents to LHA levels, removal of automatic entitlement to housing costs for under 21s. Lack of information, short timescales for implementation and the large number of citizens affected makes these changes a significant risk.</p>	<ul style="list-style-type: none"> Private landlords stop renting to benefit claimants Social housing rents become unaffordable to some claimants, in particular those under 35 and with large families. Increased homelessness and demand for temporary accommodation Increased rent arrears, increased evictions Redeployment / Severance for 140 benefits staff Changing demands on Council stock resulting in increased voids and/or undersupply of smaller properties. Barriers to building additional affordable housing Supported accommodation becomes unaffordable impacting on social services and vulnerable homeless clients. 	A	2	High Priority	<ul style="list-style-type: none"> Communities staff continue to work closely with private landlords and advice agencies to mitigate wherever possible the reduction in benefit. Discretionary Housing payments are being used to top up the benefit claims of those most affected by the changes and to pay rent in advance and bonds to help tenants to move accommodation where necessary. Timely information is being given to claimants to help them respond to the changes. A streamlined process is in place for re-housing tenants who need to downsize as a result of the social housing size restrictions. DHP is being used to pay removal costs and to cover shortfall while tenants are waiting to move. A new Welfare Liaison team has been created within the housing service to assist tenants affected by the changes. Work has been carried out to identify those affected by the reduced Benefit Cap and to advise them accordingly and to identify the most vulnerable families and award DHP. Universal Credit has commenced in Cardiff, still fairly small numbers at present. The scheme has been changed to include more information sharing for landlords and this should offset some of the risk. The council is providing face to face services on behalf of the DWP including digital inclusion and budgeting advice, these services are greatly in demand. The implications of the restriction of social housing rents to LHA rate are being considered in partnership with RSLs and options for providing shared / low cost housing are being considered. Work is ongoing to review supported housing schemes and prioritise this ahead of the changes. The Advice Hub in Central Library is providing comprehensive advice services for those affected by Welfare Reform. The Tackling Poverty Group and subgroups are working well in coordinating multi-agency activity and developing appropriate interventions during a difficult transition period for many people affected. Briefings continue to be provided to Members on Welfare Reform and further information is sent as appropriate. Digital inclusion training and banking support has been successfully implemented and will continue to be monitored. Into Work Services are providing services across the city and helping people get back to work with particular focus on those families affected by the benefit cap. 	B	2	High Priority	<ul style="list-style-type: none"> Additional resource has been agreed for supporting council tenants with the Universal Credit changes, staff have been recruited to assist with this and the new team is working well. Funding has recently been provided to provide Advice and Into Work services in food bank and other community locations where hard to reach individuals attend. Work has been undertaken to cost the potential risks of Universal Credit and this will continue to be updated as the more information is known. Working groups are ongoing to support social tenants affected by ongoing Benefit Caps, involving RSLs, children's services, families first and a range of other partners who may be able to help support these families. Regular meetings are held with social housing providers to monitor and improve processes. DHP spend is being monitored carefully, full spend is expected for 16/17. Work is ongoing to establish the proposed expenditure for 17/18 focusing on the most vulnerable individuals or helping people with the transition into work. The impact of the changes to rent levels for under 35 is currently under review with all social landlords considering how they can contribute to a solution to this issue. At present all are continuing to house young applicants as normal. Full implications of the removal of automatic entitlement for under 21s is not yet known and further work will be undertaken to understand this further. Sub group set up to consider the impact of changes on Supported and temporary accommodation. 	Sarah McGill (Jane Thomas)

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
<p>Cyber Security</p> <p>The ability to protect information systems (hardware, software and associated infrastructure), the data on them, and the services they provide, from unauthorised access, harm or misuse. This includes harm caused by the operator of the system (intentionally or accidentally) as a result of failing to follow security processes.</p> <p>The principal external threat groups to information systems are categorised by HM Government as cyber criminals, states and state-sponsored, terrorists, hacktivists and script kiddies.</p>	<p>Reputational / Legal / Financial / Stakeholder / Service Delivery / Health & safety</p> <p>The intent of cyber attackers includes, but is not limited to:</p> <ul style="list-style-type: none"> financial fraud; information theft or misuse, activist causes to render computer systems intolerable and to disrupt critical infrastructure and vital services. <p>The impact of a cyber-attack / incident has the potential to involve the realisation of the risks associated with:</p> <ul style="list-style-type: none"> An information governance breach (i.e. Stop Now Order, Information Notice, Enforcement Notice, Financial Penalty etc.) A business continuity incident – with a potential for major loss of service and legal, health and safety and financial implications. A financial / fraud related attack. <p>A malicious attack could result in loss of confidence from those transacting with the Council (reputation), as well as legal, asset, system, operational and financial implications.</p>	A	1	High Priority	<ul style="list-style-type: none"> A cyber security maturity assessment was made in Q4 2016/17 against 11 risk factors following the National Cyber Security Centre approach (based on network security, user education and awareness, malware prevention, removable media controls, secure configuration, privileged accounts, incident management, monitoring, home and mobile working policy, risk management regime and corporate cloud security). The maturity self-assessment concluded that the Council has: <ul style="list-style-type: none"> strong malware prevention, user privileges and home and mobile working controls. adequate / mature risk management regime, network security, user education and awareness, removable media controls and incident management. a need for senior management team (SMT) to collectively assess the effectiveness of secure configuration, monitoring and corporate cloud security controls. The cyber security maturity assessment underpins this summary corporate risk and regular monitoring has commenced to drive risk-based prioritisation and actions. 	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Escalate risks around secure configuration, monitoring and corporate cloud security controls to SMT for discussion on ownership and response in Q1 2017/18. ICT and Information Governance (IG) Teams to liaise with a number of functions in Q1 2017/18 to gain assurances as follows: <ul style="list-style-type: none"> FM – physical building security Commissioning and Procurement – contractor and third party user controls HRPS – the robustness of induction information Emergency Management – seek assurances that there is regular testing of the emergency management procedure for gold/silver command. ICT and IG to review online training, in particular consideration of the GDPR by Q2 2017/18. ICT lifecycle and notification targets included in 'ICT Platforms' risk actions. Information Security Board to review governance linked to Privacy and Cloud Impact Assessments. 	Christine Salter (Phil Bear)
<p>Waste Management</p> <p>Failure to achieve targets for Landfill, '0' allowance, specifically for Biodegradable Municipal Waste and WG statutory Recycling Targets. Ineffective delivery of recycling targets and residual waste treatment. Failure to comply with EU recycling waste directive.</p>	<p>Reputational / Financial / Stakeholder / Service delivery / Legal / Environmental / Community</p> <ul style="list-style-type: none"> Significant financial penalties for failure at up to £200/tonne or incorrectly capture tonnage data. Procure disposal elsewhere with additional costs. Reputation damage Increased costs of landfill and alternative treatment markets Risk to grant funding (currently £6.9m 2016/17), potential in year cuts, future year grant reductions and changing terms and conditions No MTFP for future grant funds or capital confirmed by WG Reducing Grants; reducing worldwide market values for recyclates; market collapse for recycling outlets Risk of legal challenge The risk of fines remains high due to seasonality of recycling performance and green waste which could lead to a status quo in recycling performance or at worse a drop in performance. The targets for statutory recycling in 2016/17 was 58% rising to 64% by 2019/20, therefore, the risk rating remains high. Waste growth and commercial expansion remains a challenge as it brings in new residual waste. A high risk remains in the materials market where fluctuations are influenced by world-wide pricing which is affecting the volume of material recycled. 	B	1	High Priority	<p>Policies / Strategy</p> <ul style="list-style-type: none"> Previous updates contain the policy position improvements between 2008/2015. Waste Management Strategy 2011/2016 was approved on 13th January 2011 and was revised and approved in April 2015. Keys aspects continue to be implemented from the strategy. Several progress reports have been made to Cabinet and Environmental Scrutiny in that period. Monthly performance tracking of recycling has been established to help predict the end of year position. Steps taken to improve MRF processing rates means less waste to treatment. Commercial recycling centre opened March 2014, its performance is increasing with more commercial HWRC being identified. Growing the customer base continues. Focus on pre-sort on the HWRCs is showing improvements in site recycling. Target of 80% recycling and reuse. The outline waste strategy has been approved by Cabinet April 2015. The first phase of reducing residual waste capacity to force higher dry recycling and food and green waste recycling was completed in 2015/16. The Flats/ HMOs Strategy to improve waste and recycling collections from flats is designed to enable greater recycling and food waste from hard to capture areas, was implemented in 2016/17. This included a business case on current recycling methods. The sweepings contract is secured and operating. Seasonal hours changes and proof of residency at the HWRCs has resulted in tonnage reductions and savings from not processing non Cardiff waste and recycling. The first phase of the Waste Management strategy was delivered in December 2016, which was the free reuse and recycling bulky collection service. Restrictions to Cardiff domestic householders for residual waste through the introduction of 140 litre bins have reduced residual waste tonnage profiles in 2016/17. <p>Risk of Fines</p> <ul style="list-style-type: none"> The risk of failing the biodegradable limits to landfill has been significantly minimised due to the current treatment and disposal routes. Secondary recycling is being carried out on residual waste to increase recycling rates. 	C	2	Medium Priority (Red/Amber)	<p>Policy / Strategy</p> <ul style="list-style-type: none"> Explore reuse partner(s) as market test and initial procurement was not successful, work is ongoing to secure a partner(s). Working with other Local Authorities to explore TEEP business cases and/or exploring joint working options. Delays have been experienced in the HWRCs changes, which will reduce the recycling potential and waste minimisation activities that were planned for 2016/17 onwards. <p>Risk of Fines</p> <ul style="list-style-type: none"> Ensure correct recording of waste tonnages from Neighbourhood Services to ensure exclusion of Non MSW waste that was not previously counted towards the targets. <p>Contracts / Projects</p> <ul style="list-style-type: none"> New markets for carpets and have been tendered and will be awarded in quarter 1 of 2017/18. <p>Prosiect Gwyrd</p> <ul style="list-style-type: none"> Continued management of the contract to ensure treatment and diversion of residual waste in line with the contracted positions. Working in partnership with Viridor to ensure appropriate wastes are presented for treatment, to reduce rejects and increase recycling. <p>Cardiff Organic Waste Treatment Contract</p> <ul style="list-style-type: none"> Continued management of the contract to ensure treatment and diversion of residual waste in line with the contracted positions. Working in partnership with Kelda to reduce levels of contamination and ensure appropriate wastes are presented for treatment, to reduce rejects from the process and for other wastes to be recycled by the appropriate routes. <p>Household & Commercial Waste Collections</p> <ul style="list-style-type: none"> Set and achieve new commercial recycling opportunities for new materials and new income opportunities – targeting commercial food collections and schools. 	Neil Hanratty

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
				High Priority	<p>Contracts / Projects</p> <ul style="list-style-type: none"> Several Contracts have been put in place for additional materials to be recycled from the HWRC's. Interim contract in place for disposal of biodegradable green/food waste Aggregate recycling is now in place. Recycling litter bins are in place in the city centre. New initiatives such a charging for bulky waste, commercial recycling centre, sweepings, mattress and carpet recycling schemes are all underway. New HWRC delivery model is underway. New free reuse and recycling bulky collection services strategy 2016. New markets for mattresses have been tendered and awarded in 2016/17. Recycling Waste Management focus on pre-sort high quality recycling and removing the reliance on post sorting of waste. <p>Prosiect Gwyrdd</p> <ul style="list-style-type: none"> Financial Close occurred December 2013 Viridor are the appointed contractor which commenced Sept 2015. Removes risk of failing biodegradable waste limit to landfill. <p>Cardiff Organic Waste Treatment Project</p> <ul style="list-style-type: none"> The procurement of a processing contract and facility for food and green waste was completed for both Cardiff and the Vale of Glamorgan, with Kelda Organic Energy being appointed contractor. Full Service Commencement was achieved 1st April 2017, providing sustainable diversion of organic waste from landfill. <p>Household & Commercial Waste Collections</p> <ul style="list-style-type: none"> Implemented changes to household waste collections to align service with the WG recycling blueprint e.g., smaller fortnightly black waste collection (with accompanying hygiene services) and weekly food and dry recycling and fortnightly green waste. Commercial waste operations have refined the marketing package for recycling in the commercial sector to increase recycling from commercial waste collected by the Waste Collection Authority that is included in the total MSW (and therefore relevant to statutory targets). <p>Collaboration work Working and engaging with Welsh Government on legal and policy changes</p>				<ul style="list-style-type: none"> National government discussions are underway regarding co-mingled recycling issue. Modelling has been undertaken on the best option for Cardiff and concluded a twin stream is the best option. Further steps will be developed to assure compliance with WG blue print. <p>MRF</p> <ul style="list-style-type: none"> Complete procurement and installation of Auto Sorter for mixed plastics and fibre products e.g. paper and cardboard by end of Q2. Develop business case for kerbside collections of separated glass and report to Cabinet. 	
<p>Education – Schools - SOP</p> <p>Large scale Capital Programme (£164m) with tight timescales for delivery, in context of very rapidly growing primary age school population.</p>	<p>Reputational / Legal / Financial / Social / Stakeholder / Health & safety.</p> <ul style="list-style-type: none"> Insufficient primary places in some areas of the City. Further degeneration of school buildings Reducing educational standards. Project cost and time overruns Risk that Welsh Government do not approve individual project funding if not satisfied with Business Cases. 	B	1	High Priority	<ul style="list-style-type: none"> A significant proportion of the Schools Organisation Programme has been delivered to date including:- <ul style="list-style-type: none"> A new Pontprennau Primary School Refurbishment to Millbank Primary School An extension to Adamsdown Primary School An extension to Coed Glas Primary School An extension to Ysgol Y Wern New Science Block at Fitzalan High These address in the main the sufficiency issues in the Primary Sector. The Procurement of the new Eastern High School, in partnership with Cardiff & Vale College is complete, the construction contract signed for £26m with Willmott Dixon and the buildings works commenced on site in 2016. Due for completion December 2017. The procurement of the 3 new primary school buildings for Howardian Primary, Ysgol Hamadryad and Ysgol Glan Morfa is complete. Planning approval received for Howardian and Glan Morfa - Hamadryad delayed until June. Proceeding to contract for the first two to start on site in May 2017. The procurement of the new High School in the West has commenced with a contractor been appointed to design & building the school in January 2017. Proceeding to pre planning in May followed by full planning submission in august. Assets being considered corporately to maximise the opportunity to focus funds realised within the Council and through other sources on fewer high quality buildings. Extensive work on the 21st Century Schools Band B funding now to take place during 2016 to submit progress to WG in autumn 2017. Restructure of team completed. 	C	3	Medium Priority (Amber/ Green)	<p>All risks being monitored and reported to Schools Programme Board.</p> <ul style="list-style-type: none"> 'Turn Key solutions' being progressed on all new school builds i.e. one contract, single point of management and responsibility Two step procurement methods being undertaken on all procurements Standardised design methods being used where possible Continued active dialogue with Welsh Government and other professional parties to support progress and development Prioritise population data development to support accurate projections and forecasts for existing resident populations and to support effective s106 negotiations going forward Ensure consistent monitoring and reporting of all risks to Schools Programme Board. Capacity strengthened in SOP Team. 	<p>Nick Batchelar</p> <p>(Janine Nightingale)</p>

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ONGOING RISKS										
<p><u>Non Completion of Statutory Building Equipment Maintenance</u></p> <p>A complete up-to-date accurate register of all relevant asset surveys requires completion.</p> <p>Currently statutory obligations testing is not organised in a consistent and centrally managed process across the Council. As a result there is a risk that all required testing may not be completed correctly.</p> <p>Also, there is no embedded technology in use consistently to manage the statutory obligations work or the storing of relevant statutory obligation documentation.</p>	<p>Potential consequences:</p> <ul style="list-style-type: none"> Fatalities or serious injuries Closure of part or whole of facilities with major disruption to service delivery HSE interventions and consequential actions including fines and prosecution; Significant additional expenditure requiring realignment of Corporate budgets; Temporary relocation of staff Temporary loss of operational service Invalidation of insurance policy Serious adverse impact on reputation Damage to fabric of building or other equipment 	A	1	High Priority	<p>Competent contractor in place to undertake statutory obligations testing and consequential remedial work;</p> <p>RAMIS Statutory Obligation Compliance software system procured and in process of being commissioned. This will replace spreadsheet system currently in place;</p> <p>Electrical testing and works monitored/supervised by qualified internal staff</p> <p>Electrical certificates received and reviewed by qualified internal staff</p> <p>C1/C2 electrical remedial works identified through testing are attended to appropriately and immediately by contractor undertaking electrical works</p> <p>Spreadsheet database established to record status of statutory obligation compliance across whole Council estate</p> <p>Audit of compliance recently completed (March 2017). As a result, there is a very much improved understanding of the current level of statutory compliance;</p> <p>Planned Preventative Maintenance Certificates are held centrally and can be easily accessed via computer (to be transferred to RAMIS)</p> <p>Corporate Landlord Model Programme Brief has been approved by the Programme Board – objective is to create one point of contact in the Council to lead on all property matters across the Council's estate</p>	B	1	High Priority	<p>Strengthen monitoring and supervision of contractors undertaking statutory obligations testing and works;</p> <p>Complete installation of RAMIS, training of staff, and uploading of information into system – Qtr 4, 17/18</p> <p>Commission investigations/work to complete required compliance testing (and works if required) in respect of 'gaps' in compliance status identified through the audit (March 2017) – Qtr 1, 17/18</p> <p>Establish In house Statutory Obligations Team to manage the undertaking of the statutory obligations surveys/work across the Council – Qtr 1, 17/18</p> <p>Strengthen the Council's Health and Safety Team including the appointment of a new Operational Manager with a role to independently 'police' statutory obligations compliance across the building estate – Qtr 1, 17/18</p> <p>Commence implementation of the Corporate Landlord Model - Qtr 1, 17/18</p> <p>Engage with CLAW (Consortium of Local Authorities in Wales - supports the professional and technical interests of property management in local government in Wales) to benchmark statutory obligation compliance performance and benefit from experience of other Welsh authorities</p> <p>Introduce a Landlord/Tenant agreement in respect of all Council buildings to ensure the requirements for statutory obligations are clearly identified – Qtr 1, 17/18</p> <p>Undertake appropriate training to ensure that all Council building Duty Holders have a clear understanding of their statutory obligations compliance responsibilities – Qtr 1 17/18;</p> <p>Address concerns raised by HSE regarding work undertaken by Allianz (company appointed by Council Insurers);</p> <p>Undertake a condition survey of priority buildings and 'tag' all equipment and store information on the asset register. The information obtained from the surveys will be used to prioritise maintenance work going forward – commence Qtr 1, 17/18</p> <p>Introduce new technology to assist in improving the scheduling, commissioning, monitoring and auditing of statutory obligations work – by Qtr 4, 17/18</p>	Neil Hanratty (Tara King)
<p><u>Education Consortium & Attainment</u></p> <p>The Central South Consortium does not deliver effective services that challenge and support Cardiff schools to improve and Educational Attainment does not improve at the required rate.</p>	<p>Reputational / Legal / Financial.</p> <ul style="list-style-type: none"> Budget implications. Educational standards falling behind other LA's. Potential impact on Estyn judgement for LA. Intervention from WG 	B	1	High Priority	<p>There have been continuous improvements in nearly all the outcome indicators at all key stages, although the performance of a few of Cardiff secondary schools is still a significant concern. The work of the school improvement service commissioned from the regional consortium is now based on clear priorities and a good understanding of Cardiff schools. Cardiff schools are being challenged more rigorously and supported more effectively to improve.</p> <p>There is a strong working relationship between the local authority and the regional consortium. The local authority has moderated the outcomes of categorisation in partnership with the regional consortium, and this has led to a more accurate view of school performance, an improved model of differentiated support and challenge, and earlier intervention in schools causing concern. Through school improvement meetings, challenge advisers are developing a better understanding of the role that wider services in the local authority play in improving schools.</p> <p>The local authority works productively with its regional consortium to address the specific needs of Cardiff schools, and to promote school-to-school working. A number of Cardiff schools have been appointed as Pioneer Schools to develop the new curriculum over the next three years in line with "Successful Futures".</p>	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Officers will continue to ensure the agreed commissioning arrangements are refreshed and delivered and impact positively on the performance of schools. Education Directorate delivery plan now refreshed with clear accountabilities and performance measures. These will be shared with the consortium and associated roles, responsibilities and accountabilities agreed. Recruit a Secondary senior challenge adviser with well-developed knowledge and skills to build on the progress made to date. 	Nick Batchelar (Angela Kent)
<p><u>ICT Platforms Unsuitable/Outdated</u></p> <p>The ICT platforms (desktop, software, network, servers, and telephones) will not be able to</p>	<p>Reputational / Financial / Stakeholder / Service delivery.</p> <ul style="list-style-type: none"> Loss of PSN services. Service delivery impacts from unreliable/unavailable ICT systems. Cardiff seen as unable to deliver on aspirations. Poor morale from frustrations with inability to deliver 	A	2	High Priority	<ul style="list-style-type: none"> Measurements put in place to track impact Existing ICT budget spend focused on dealing with critical issues, capital and revenue budget resource provided in 2012-15 to address major issues, medium term financial plan investment programme in place for subsequent years. Spending complete for renewal/upgrade of highest risk items, in particular 	B	3	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Development of lifecycle monitoring and clearer customer engagement. Pilot leasing scheme within schools to be considered for corporate desktop estate Monitored on the Corporate Risk Register. 	Christine Salter (Phil Bear)

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support the technologies required by the corporate change programme and deliver effective service to the council, or will not provide a reliable service due to age and condition of equipment and systems.	<p>services.</p> <ul style="list-style-type: none"> • Potential for income losses from revenue collection impacts. • Unable to meet delivery deadlines on both business as usual and transformation projects. 				<p>firewalls, core servers/switches and external bandwidth.</p> <ul style="list-style-type: none"> • New system down analysis process in place to ensure that key pressure points are rapidly identified and fixed at minimum cost until full programme can be initiated. Recent issues with telephony have resulted in retargeting of some resources to focus on weak points now identified. • New deliveries are all being designed for a 99.99% minimum uptime, with critical systems targeted at 99.999% (equating to less than 6 minutes per year) • Active projects underway and the current aged file storage solution have been replaced and cloud based storage for additional resilience and flexibility is being assessed. Other projects underway to replace many of the core older back end servers. • Corporate file storage systems replaced and new disk to disk backup option installed to improve performance and resilience • Due to mitigation actions so far to reduce the risk, the risk of critical service downtime has been reduced. • Additional load balancers to be purchased for application resilience in key systems. • Full renewal programme for all desktop, software, network, servers, and telephones, appropriate to Cardiff's ambitions and resources. • Continued assessment of priorities for replacement – applications infrastructure and servers are the next priority • Refresh of existing SAP, thin client and virtual server farms • Assessment of equipment required replacing to maintain PSN compliance • Further revenue and capital investment in 2014-16. • Migrate VM infrastructure over to Pure Storage. Project initiated and led by ICT Server Manager. • Migrating users from CAG to ASA. Project plan in place to move over users. 					
<p>Safeguarding</p> <p>Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners.</p>	<p>Reputation / Financial / Stakeholders / Service delivery / Legal / Partnership / Community</p> <ul style="list-style-type: none"> • A children or adult/s suffers avoidable significant harm or death. • Reputation of Council and partners. • Severe adverse publicity. • Potential regulator intervention. • Loss of confidence by the community in the safety of children and adults. • Loss of confidence of staff in the overall "safety" of the service, impacting on morale, recruitment and retention. • Potential litigation with associated financial penalties. 	B	1	High Priority	<ul style="list-style-type: none"> • Implementation of Social Services & Wellbeing (Wales) Act 2014 in relation to the strengthening of adult safeguarding. • Strategic review of safeguarding governance across the region in partnership with the Vale of Glamorgan Council. • Strategic review of the functioning of the Regional Safeguarding Adults Board completed. • Ongoing implementation of the Child Sexual Exploitation Strategy. • Implementation of the Corporate Safeguarding Board work programme. • Growth proposals for operational safeguarding capacity identified as part of 2017/18 budget. 	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> • Strategic review of the functioning of the Regional Safeguarding Children Board (imminent). • Training staff in relation to Adult Protection Orders. • Cardiff Council to host the all-Wales Adult and Child Protection Procedure re-write. 	Tony Young & Davina Fiore
<p>Budget prioritisation</p> <p>Failure to deliver the statutory obligation of setting a balanced annual budget and a fully informed Medium Term Financial Plan which takes into account statutory budget planning obligations (compounded by the risk of only receiving annual settlement figures from the Welsh Government).</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> • Risk of failing to meet statutory obligations. • Risk that service delivery impacted due to uncertainty in the budget planning process resulting in decreasing resources or failure to effectively prioritise spend in line with Corporate Plan Objectives. • Risk that settlement figures will not be as anticipated giving an element of uncertainty to any proposals from Cabinet during public consultation and beyond. • Risk that savings identified as part of business as usual and efficiencies have not been robustly reviewed for achievability and will not deliver as planned. • Risk that financial constraints and budget proposals result in unintended consequences such as increased instances of non-compliance and financial impropriety. • Risk that annual budget settlement frustrates medium / longer-term planning and that the cycle does not integrate with other business cycles and vice versa. • Risk of unbalanced budget as savings required over 	A	1	High Priority	<p>2017/18 and Medium Term</p> <ul style="list-style-type: none"> • The 2017/18 Provisional Settlement received on 19 October 2016. Final Settlement 21 December 2016. • Budget approved at Council on 23 February 2017 • The 2016/17 settlement allowed the Council to reduce risk and improve resilience through addressing the pace and scale of the most challenging saving proposals, reviewing planning assumptions and introducing a new financial resilience mechanism. This mechanism continued to be used for 2017/18 in order to reduce future risk but allow one-off investment and development in the meantime. • The final 2017/18 Budget was underpinned by Directorate Savings of £13.264m and Addressable Spend Savings of £3.743m; a total of £17.007m • 2016/17 and the following two years savings proposals were underpinned by the Reshaping the Base exercise undertaken in conjunction with SMT and Informal Cabinet as part of 2016/17 Budget Strategy Development. This exercise has been refreshed and reviewed in looking at 2017/18 and 2018/19 budget proposals. Further work will progress May 2017. • The MTFP set out in the February 2017 Budget Strategy Report shows an estimated Budget Reduction Requirement of £80.907m for the medium term (2018/19-2020/21). • The July Budget Strategy Report looks to identify £17.007m savings for 2017/18 with the use of earmarked reserves, Council Tax increase and Cap on 	C	2	Medium Priority (Red/Amber)	<p>2017/18 and Medium Term</p> <ul style="list-style-type: none"> • Continue the work that ensures alignment with the demands of the Wellbeing of Future Generations Act with the 2017/18 Budget Strategy and any proposals. • Ensuring closer alignment with objectives of the Corporate Plan and the Organisational Development Programme in order to ensure resources are allocated appropriately and that longer term financial savings are developed in enough time to be realised in the medium term. <p>Medium Term</p> <ul style="list-style-type: none"> • Continued due diligence, challenge of proposals and development of detailed plans for both 2018/19 to 2020/21 	Christine Salter (Ian Allwood)

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	<p>the medium term become harder to achieve and their impact on service delivery more difficult to manage.</p> <ul style="list-style-type: none"> Risk that organisational development does not align to the financial strategy in relation to budget reduction requirements. Additional obligations such as Wellbeing of Future Generations Act leading to Council failing in statutory duty. 				<p>schools growth to identify the remaining £7.873m.</p> <ul style="list-style-type: none"> Capital Programme assessed for additional commitments and new bids with a prioritisation assessment being undertaken over the period of August to November. The impact on cost of borrowing is looked at in alignment with the prioritisation so that any schemes approved can be funded through the overall financial envelope. Close working with Policy team in respect of alignment with Corporate Plan and duties under Wellbeing of Future Generations Act. 					
<p>Financial Resilience</p> <p>The Financial resilience of the Council over the medium term is significantly weakened so that it is financially unable to discharge its statutory obligations and services to the citizens of Cardiff.</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> The risk that the Council will not be able to react to adverse situations through a combination of poor imprudent planning and significant challenges such as increasing demands for services such as social services, education, roads etc. The risk is that the Council will not be able to operate within the financial funds available to it and fail in its statutory duty to deliver services. Reputational risk of defaulting on creditor / payroll payments thus creating uncertainty across the community of Cardiff and beyond. The risk that this leads to intervention and increasing adverse impacts on the community of Cardiff that rely on the services being delivered by the Council. 	A	1	High Priority	<ul style="list-style-type: none"> The Council regularly reports in relation to its financial performance and monitoring. The Council used the better than anticipated provisional settlement for 2016/17 to improve financial resilience as previously outlined. This included the establishment of a £4m financial resilience mechanism to protect the Council from the uncertainties associated with the absence of multi-year settlement information whilst allowing for one-off investment in the mean-time. The Wales Audit Office's Report into financial resilience scored the Council as low risk in terms of financial governance and control and medium risk in terms of financial planning. Improvement actions associated with the medium risk for financial planning related to 1) the improvement of savings plans and 2) the improvement of links between the MTFP and Organisational Development Programme, Service Plans and Improvement Plans. A financial snapshot has been developed in respect of the financial resilience of the Council and is reviewed 3 times a year and report at Budget Report (Feb16 & Feb 17), Budget Strategy (Jul) and to Audit Committee. 	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Key stakeholders are briefed on this position and financial triggers against this snapshot continue to be developed and reviewed. Work in respect of improving savings plans continues in order to increase the % of savings proposals accepted that deliver. The key focus is due diligence, challenge and development of detailed plans but with an emphasis and accountability to the directorate which proposed the saving. Savings documentation has also been reviewed and developed with the aim of ensuring consideration and capture of key factors relating to savings proposals. Links between the MTFP, OD Programme, Service Plans and Improvement Plans continue in order to further build on work already undertaken in the Budget Strategy Work Programme. 	Christine Salter (Ian Allwood)
<p>Budget Monitoring (Control)</p> <p>Failure to achieve the budget set, inclusive of budgeted spend and savings across Directorates, with increased use of emergency finance measures and the drawdown of reserves.</p>	<ul style="list-style-type: none"> Inability to balance spend, against budget, for the financial year. Requirement to implement emergency measures to reduce spending during the financial year thus adversely impacting on ability to meet corporate plan objectives. Requirement to drawdown from General Reserves at the year end. Impact on the 2016/17 Budget where issues remain with achieving 2015/16 budget savings and any unachieved savings brought forward from 2014/15. 	A	1	High Priority	<ul style="list-style-type: none"> Clear financial procedure rules setting out roles and responsibilities for budget management are in place. In recognition of the quantum of savings and the risks posed a £4 million General Contingency was allocated in the Budget. Availability of General Reserve should this be required. The final 2015/16 outturn showed a surplus of £1.696 million. However this included an overspend of £4.635m in relation to directorate budgets with shortfalls of £6.586m against 2015/16 savings targets and £2.837m against shortfalls carried forward from 2014/15. As part of the 2016/17 Budget process £3.029m of these budget savings not achieved were written back into the budget. The Corporate Director of Resources, Chief Executive and Cabinet Members have continued to hold challenge meetings going forward into 2016/17 in all areas both to address shortfalls against budget proposals accepted but also the overall financial position of each directorate. The 2016/17 Month 9 monitoring report presented to Cabinet highlighted a balanced position. Directorate budgets projected to be overspend by £7.032 million partially offset by general contingency of £4 million. Full financial monitoring processes is in place for month 3 to 11 of the financial year including achievement of budget savings with months 3 to 10 completed. Monthly meetings held between service accountants, directors and Cabinet Members. 	B	2	High Priority	<ul style="list-style-type: none"> The balance of any 2015/16 or 2016/17 savings targets designated as not being achievable have been provisionally allocated and will continue to be reviewed as the 2017/18 budget progresses. 	Christine Salter (Allan Evans)
<p>Health and Safety</p> <p>Ineffective compliance of health and safety through poor application and embedding of the 'Framework for Managing Health and Safety in Cardiff Council.</p>	<p>Reputational / Legal / Financial / Service delivery</p> <ul style="list-style-type: none"> Fatalities Serious injuries Prosecution – fines for body corporate and/ or fines/imprisonment for individual Claims 	A	1	High Priority	<ul style="list-style-type: none"> The team is currently being restructured, an OM1 post for Head of Health and Safety to be advertised. SLA with Caerphilly Council to end on the 4 May 2017. Following this appointment proposed new structure to be implemented which will increase the competency of the Health and Safety Team in order to implement a programme of Corporate Governance. Framework for Managing Health and Safety to be reviewed utilising the RAMIS system to monitor statutory compliance as well as using the system to undertake audits/inspections and monitor actions are closed out (currently not achievable using CIS). Health and safety monitoring/support for schools is an issue, one competent officer supporting Education is not sufficient to achieve improvements in compliance standards required in what is a high risk directorate. Concerns regarding statutory compliance on the range of statutory issues including:- <ul style="list-style-type: none"> Asbestos Control Fire Safety Electrical Safety Gas Safety Legionella Control Quality of Risk Assessments across the Council is varied and improvements required in consistency and quality in some areas. Health and Safety Advisers carry out a programme of general health and safety audits, focussing on high risk activities, and undertake other inspections / investigations as necessary. Increased competency required on specialist risks such as asbestos, fire and CDM in order to appropriately monitor and report on H&S risks. Policy and Codes of Guidance reviewed, further work required in this area 	B	1	High Priority	<ul style="list-style-type: none"> Due to the compliance issues which have emerged over the past six months it is clear that the Service Level Agreement commenced in March 2016 is not sufficient in terms of management time to deal with the emerging issues. A new OM1 post has been agreed with unions and is being advertised. The successful candidate will implement a restructured H&S Team with a focus on Corporate Governance on H&S Matters. The Council will benefit from officers with competency in Fire Safety, Asbestos and CDM in order to meet the H&S management and monitoring needs. Statutory Maintenance Compliance – An Improved position on compliance is required with central control of records and monitoring and reporting of compliance statistics. This will be achieved by the use of RAMIS to manage all statutory maintenance inspections and resulting remedial tasks on Council premises. The system has been purchased and is currently being configured in order to progress an implementation plan to be drafted and agreed by the end of April. The current position with regards to statutory compliance is being reviewed by Strategic Estates with SMT being provided with a gap analysis. HSE inspection undertaken on electrical safety (24/3/17), two improvement notices issued. Statutory Maintenance Audit included in 2017/18 Health and Safety Objectives, Building Managers and Health and Safety to undertake. Health and Safety support to schools to be included in the restructured Health and Safety team and funded via a SLA 	Christine Salter

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
					going forward to ensure that all policies are up to date and reflect current practice within the Council.				<p>service with schools. This will improve the standards of health and safety practice and compliance as well as avoid schools paying for external consultant's whose competency is questionable.</p> <ul style="list-style-type: none"> • Risk Assessment Library to be included in the RAMIS system and populated by Service Areas, this will permit audit and review of risk assessments and will remind Service Areas of review dates – to be included in the RAMIS implementation plan. Service areas requested to review Risk Assessments via. 17/18 corporate Health and Safety Objectives. • Review of Policy/Codes of Guidance – Corporate Policy and 13 Codes of Guidance reviewed and uploaded to CIS, further reviews planned in 2017, particular priorities are Violence and Work, Control of Vibration, Stress and Wellbeing, Asbestos Management and Fire Safety. • Health and Safety training via. The Academy commenced in October 2016, a suite of Corporate H&S courses are currently being offered, it is hoped that the SLA with Caerphilly for this service can continue. Competency in asbestos management is required for employees and contractors, included in Health and Safety Objectives for 17/18. • Review of Violence at Work and PACD System undertaken and improvements to the PACD system underway, which will ensure that the information held on the system is accurate, up to date and held in line with the DPA. Requested reviews of entries have generally not been undertaken by the timescale stipulated, this will result in out of date entries being removed, prior to reconfiguring the new system. Users who have not accessed the system during the past 12 months will also have access withdrawn but will be advised to contact Health and Safety to re-instate access if required. 	
<p>Climate Change & Energy Security</p> <p>In-preparedness to the effects of climate change due to lack of future proofing for key (social and civil) infrastructure and business development, and inability to secure consistent energy supply due to rising energy costs and insecurity of energy supply.</p>	<p>Reputational / Financial / Stakeholder / Service delivery / Legal / Partnership / Community / Health & Safety</p> <p>Flooding & increased frequency and severity of storm events:</p> <ul style="list-style-type: none"> • Loss of life and personal injury • Direct damage to property, infrastructure and utilities • Contamination and disease from flood and sewer water and flood on contaminated land • Increased costs of insurance • Break up of community and social cohesion • Blight of land and development <p>Increased summer temperatures:</p> <ul style="list-style-type: none"> • An increase in heat related discomfort, illness and death, increasing pressure on health and emergency services • An increase in demand for limited water supplies • Damage to temperature sensitive infrastructure (transport systems, electrical systems). • Migration of biodiversity. <p>Inconsistent energy supply and cost:</p> <ul style="list-style-type: none"> • Inability to deliver public services • Decrease in economic output • Disruption to the supply of utilities • Increased transport costs • Increased costs for heating / providing services to buildings • Increased fuel poverty 	B	1	High Priority	<p>Emergency Management Unit</p> <p>Cardiff Council Emergency Management Unit is working through the Local Resilience Forum (LRF) structure to ensure planning is carried out with consideration of flood risk.</p> <ul style="list-style-type: none"> • Cardiff Area Community Risk Register is developed and reviewed on a regular basis by the Cardiff Area Risk Group. It takes into account changes in the national risk register and how those changes affect Cardiff. <p>We are engaging internally with The Welfare of Future Generations Act to integrate the community work with the Councils strategy and externally with voluntary organisations such as C3SC to provide training to community groups across Cardiff</p> <ul style="list-style-type: none"> • Cardiff Council Emergency Management Unit have in place a long term communication strategy in Cardiff in conjunction with multi agency partners highlighting flood awareness alongside other emergency eventualities such as extreme temperatures and how residents, businesses and communities can be aware of the risks in their area and hence better prepare for them should that risk materialise. Cardiff has 5 active community flood plans with others in the planning stage. We have produced a 'Preparing for Emergencies – A Guide for Communities' document which is now available to all agencies and organisations. It provides information on how to prepare, respond and recover from an incident including flooding. The document can be found via the following link; https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Emergency-Planning-and-Resilience/Emergency-Planning-and-Resilience/Pages/default.aspx <p>We have procedures in place to alert relevant departments within the council to extreme temperatures and work with partner agencies in line with Welsh Governments Heatwave Plan, this can be found via the following link; http://www.wales.nhs.uk/docopen/218909/</p> <p>Energy Management Unit</p> <p>Cardiff Council Emergency Management Unit is working through the Local Resilience Forum (LRF) structure to ensure planning is carried out with consideration of flood risk.</p> <ul style="list-style-type: none"> • Cardiff Area Community Risk Register is developed and reviewed on a regular basis by the Cardiff Area Risk Group. It takes into account changes in the national risk register and how those changes affect Cardiff. <p>We are engaging internally with The Welfare of Future Generations Act to integrate the community work with the Councils strategy and externally with voluntary organisations such as C3SC to provide training to community groups across Cardiff</p> <ul style="list-style-type: none"> • Cardiff Council Emergency Management Unit have in place a long term communication strategy in Cardiff in conjunction with multi agency partners highlighting flood awareness alongside other emergency eventualities and how residents, businesses and communities can be aware of the risks in their area and hence better prepare for them should that risk materialise. Cardiff has 5 active community flood plans with others in the planning stage. We have 	B	1	High Priority	<p>Flood Risk Management</p> <ul style="list-style-type: none"> • An officers flood working group has been established to improve internal and key stakeholder communications on flooding issues. • Identify where flood risk information is in place for key social and civil infrastructure and identify where there are gaps (i.e. contaminated land). To consider flood risks recognised in the Community Risk Register in the Community Planning/Integrated Partnership process. Community resilience workshops continue in high risk areas • The proposal to further progress Surface Water modelling further in line with national guidance and deadlines to inform the Cardiff Area Flood Plan awaits the next guidance from the Welsh Government • To consider the long term planning implications for coastal protection owned/managed by the Council. Funding of £400k has been secured from Welsh Government for 2016/17 to develop a Project Appraisal Report to manage coastal flooding and erosion risk. The appraisal must consider wider benefits, and project appraisal will seek to identify options to remedy coastal erosion and will also have a consideration for the coasts flood defence standards. <p>Emergency Management Unit</p> <ul style="list-style-type: none"> • To consider flood risks recognised in the Community Risk Register in the Community Planning/Integrated Partnership process. Community resilience workshops continue in high risk areas <p>Sustainable Development Unit</p> <ul style="list-style-type: none"> • Climate Change to be considered as part of the Well-Being Assessment and subsequent actions in the Well-Being Plan. • Work to be undertaken with both the Covenant of Mayors and the Compact of Mayors to agree a consistent method of emissions reporting and action planning so as to not duplicate efforts and get maximum benefit from the commitments. <p>Energy Management Unit</p> <ul style="list-style-type: none"> • Progress has been made to establish up to date energy budgets. • Deliver development of local power generation within city boundaries and with neighbouring LAs by securing heat networks, deliver the Affordable Warmth Strategy through measures such as ECOT2 and Green Deal opportunities, provide supplementary planning guidance on passive and 	Andrew Gregory

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					<p>produced a 'Preparing for Emergencies – A Guide for Communities' document which is now available to all agencies and organisations. It provides information on how to prepare, respond and recover from an incident including flooding. The document can be found via the following link; https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Emergency-Planning-and-Resilience/Emergency-Planning-and-Resilience/Pages/default.aspx</p> <p><u>Energy Management Unit</u></p> <ul style="list-style-type: none"> The Council procures competitive energy contracts through the Crown Commercial Services on a 6 monthly purchasing window for the following 12 month financial year. Key sites are fitted with back-up generators for emergency backup, specifically for IT systems. The Carbon reduction Strategy 2022 identifies projects and activities through 4 strands in order to achieve a 35% reduction in the council's carbon emissions from electricity and gas by 2022. These include; Renewables, energy Efficiency, Design and Asset Management and Behaviour Change. The new strategy is accompanied by a project programme which is currently being implemented with projects categorised across all strands. Key project achievements include 16 LED lighting upgrades to schools, 700kW of solar PV installed across the estate as well as the commissioning of the Radyr Weir Hydroelectric scheme with a capacity of 400kW, Progress in 2015/16 has achieved a 6.9% reduction in carbon versus 2013/14 baseline. <p><u>Local Flood Risk Management Strategy</u></p> <p>A Local Flood Risk Management Strategy was produced as a requirement of the Flood and Water Management Act 2010 in accordance with WG's Flood & Coastal Risk Strategy guidance. The LFRMS integrates; the PFRA, a coastal protection strategy, stakeholder communications and sets a clear corporate approach to flood management.</p> <p><u>Flood Risk Management Plan</u></p> <p>In 2013, as a requirement of the Flood Risk Regulations 2009, the Environment Agency, working with Natural Resources Wales and Lead Local Flood Authorities, produced the updated Flood Map for Surface Water (uFMfSW). The maps identify the risk, extent, velocity and hazard posed to Cardiff for a series of rainfall events.</p> <p>These maps have been used to inform the Flood Risk Management Plans, which Cardiff have produced as a requirement of the Flood Risk Regulations 2009. The plan sets out how Cardiff Council will over the next six years manage flooding so that the communities most at risk and the environment benefit the most. The plan does this by:</p> <ul style="list-style-type: none"> Highlighting the areas most at risk of flooding from surface water, ordinary watercourses and groundwater in Cardiff Council's area; Draws conclusions from these risks; and Sets out the measures that will be implemented over the 6 year cycle to mitigate these risks and make our communities more resilient. <p><u>Planning</u></p> <p>The Local Development Plan was adopted in January 2016 and includes policies seeking to reduce flood risk and new development. In order to monitor the effectiveness of these policies the LDP Annual Monitoring Report (AMR) includes indicators relating to flood risk which set targets that no planning permissions will be granted for highly vulnerable development within C2 floodplain area and only within C1 floodplain area if it meets TAN15 tests. There is also an indicator committing the Council to prepare Supplementary Planning Guidance (SPG) relating to Flooding to support and amplify the flood risk related policies in the adopted LDP.</p> <p><u>Sustainable Development Unit</u></p> <ul style="list-style-type: none"> Changing Climate, Changing Places pilot project. Strategic climate change resilience action plan approved by Cabinet in 2013 as part of a wider One Planet Cardiff Cabinet Report. Actions and recommendations in the plan cover heat planning and flooding issues. Corporate PI on climate change resilience developed to help support the authority and its services to be prepared for a changing climate, and to enable robust reporting to WG on this work (in line with the potential reporting requirements of the Climate Change Act and Well-being of Future Generations Act). However, there has been limited response from Directorates due to key staff leaving and organisational changes. The Council has signed up to the Compact of Mayors in addition to its existing commitment to the Covenant of Mayors. Initial data submitted for the Compact of Mayors Carbon Disclosure Project. 				<p>renewal heating systems to new build and retrofit schemes.</p> <ul style="list-style-type: none"> Energy security related issues to inform corporate financial systems revised buying and power consumption monitoring arrangements to save money and reduce demand and provide corporate & community planning for Energy City Wide to Business and public sector. Further guidance to be disseminated to service areas on energy security and energy savings opportunities such as implementation of Carbon Culture, delivering extensive energy invest to save programmes on the Council Estate. Delivering renewables within larger properties to lower dependency to grid supply. Energy Performance certificates undertaken to Council owned stock to improve understanding along with a variety of energy efficiency measures (cavity / loft / external wall insulation and boiler upgrades) funded via ARBED, ECO and Green Deal. <p><u>Planning</u></p> <ul style="list-style-type: none"> Use Project Management techniques and partnership working to effectively manage process of preparing LDP Annual Monitoring Report (AMR) and programme of Supplementary Planning Guidance (SPG). 	

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
<p>Information Governance</p> <p>Information handled inappropriately leaves the Council exposed to intervention and financial penalties issued by the Information Commissioner (ICO). This includes information held by Cardiff Schools</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> Leads to the Information Commissioner issuing notices of non-compliance These could consist of: <ul style="list-style-type: none"> a Stop Now Order which would mean that no personal data could be processed by the Council in its entirety An Information Notice which would mean that a service would have to provide information in a very limited period thereby impacting on service delivery Undertaking which requires an Action Plan of Remedial Measures which would be subject to ICO Audit Enforcement Notice requires immediate improvement action to be put in place Financial Penalty up to £500,000 (currently) The General Data Protection Regulation will come into force in May 2018 and puts in place a new Enforcement Regime and financial penalty structure. The maximum fine will be 4% of turnover or 20,000,000 euros 	A	1	High Priority	<ul style="list-style-type: none"> Information Security Board chaired by the SIRO held quarterly. Suite of Information Governance Policies in place. Processes for Information Requests, Data Loss in place. The Information Governance Training Strategy in place and a revised e-learning programme developed to take forward data protection training. This e-learning platform is a bilingual training programme. Information Requests and Training compliance monitoring reports provided and reported to Information Security Board, SIRO. The processing of CCTV requests (section 35 requests) has been centralised to ensure that these are dealt with appropriately ICO Consensual Audit determined that the Council is considered to have a 'reasonable level of assurance' in place Procurement contracts to include a clause regarding 3rd Parties processing personal data Privacy Impact Assessment process realigned and a PIA Board established to ensure that the Council, when changing systems and processes where personal data is involved, considers relevant legislation. (in preparation for the new EU requirements) PQA process includes the requirement for PIA's where personal information is being processed Advice and assistance provided to the National Adoption Service and Rent Smart Wales continues as Cardiff Council is the Data Controller for these services Advice and assistance provided to collaborative services of the Educational Consortium, Vale, Valleys and Cardiff Regional Adoption Service where Cardiff is not the Data Controller Advice and Guidance Service in operation to Cardiff Schools (with the exception of Eastern High and St Illytds) to support compliance within schools and governing bodies Advice and guidance available to Directors and Lead Officers on the Information Governance aspects of Alternative delivery Models Digitisation of Records forms part of the considerations of the OD Programme for services becoming 'digital by default' Work to support the Shared Regulatory Service (SRS) is in place to ensure that the on-going information governance requirements are met and delivered linked to the wider Governance arrangements of this venture 	B	1	High Priority	<ul style="list-style-type: none"> The Information Governance Team (responsible for the Governance of CCTV) have compiled a register of all CCTV devices owned by the Council. A review of the use of these devices is being undertaken through the council's Information Security Board and the nominated Directorate Information Asset Owners The remaining 10% of Information Requests sitting in Directorates will be brought into the Information Governance Team during qtr. 1 of 2017/18 in line with the 'One Council Approach'. An Information Governance Maturity Model and Assessment will be considered by the SIRO in qtr. 1 of 2017/18 and the CRR entry revised using this as the source evidence. The Digitalisation of Paper Records Strategy and associated business process changes will be introduced in qtr. 1 of 2017/18 A gap analysis and GDPR Implementation Plan will be in place during qtr1 of 2017/18 	Christine Salter (Vivienne Pearson)
<p>Social Services – Provision</p> <p>Failure to provide robust and adequate social services in the context of increasing costs and limited resources.</p>	<p>Reputational / Community / Legal / Financial / Stakeholders / Service delivery</p> <p>Quality and range of services and interventions compromised, e.g.:</p> <ul style="list-style-type: none"> Safety and welfare of individuals in the community compromised. Achievement of good outcomes for service users compromised. Shortage of appropriate services including placements. Inability to meet key objectives and performance targets. Increase in challenges from carers, including financial challenges. Increase in Delayed Transfers of Care (DToC). 	B	1	High Priority	<p>Strategic service improvement governance arrangements including:</p> <ul style="list-style-type: none"> Organisational Development Programme. Multi agency Improving Services to Children Board. Adult Services Improvement Board. Vulnerable Families Partnership Board. Social Services Reshaping Programme. Adult Social Care Strategic Commissioning Programme. Internal Review team within Assessment & Care Management continues to focus on delivery of targeted reviews and reviewing packages of domiciliary care for individuals. Adult Social Services Position Statement completed. Disability Futures Programme in place to transform futures for disabled children. Community Resource Team moved to 7 day working. Comprehensive ICF funded interventions designed to strengthen domiciliary care capacity in place. Growth proposals for operational safeguarding capacity in 2017/18 budget. Financial 5-10 year analysis of growth and pressures commenced <ul style="list-style-type: none"> Children's Services analysis presented to Cabinet in November. Adult Services analysis presented to Cabinet in March. Redesign services for children with emotional, behavioural or mental health difficulties (University Health Board led). Key strategies to promote independence, manage demand and enhance prevention in place as follows: <ul style="list-style-type: none"> Early Help Strategy (for children). Multi-Agency Safeguarding Hub (MASH). Adolescent Resource Centre. Signs of Safety. 	B	2	High Priority	<ul style="list-style-type: none"> Locality pilot designed to integrate Council, Housing, Primary Care, GP clusters and domiciliary care provision within defined geographical areas to commence in 2016-17 – plans progressing well. Combined overall Social Services 5-10 Year Financial Strategy to be finalised. New key strategies to promote independence, manage demand and enhance prevention to include: <ul style="list-style-type: none"> Develop outreach Community Resource Team services. Develop Older People's Housing Strategy. Redesign of Day Opportunities for Learning Disabilities to include capital programme. 	Tony Young
<p>Promoting Independence</p> <p>Failure to sustain an effective whole system approach that enables adults with significant health needs to remain in, or return to, their own</p>	<p>Reputational / Legal / Financial / Community / Stakeholders / Service delivery</p> <ul style="list-style-type: none"> Increase in Delayed Transfers of Care (DToC). Poorer outcomes for adults. Potential ministerial intervention incurring significant 	B	1	High Priority	<ul style="list-style-type: none"> Leadership group established to tackle DToC - consisting of Cabinet Members from the Cardiff, Vale of Glamorgan, Chair of UHB and relevant officers. Performance challenges set to improve DToC - includes ongoing close monitoring of DToC Plan. Joint action plan received and agreed by the Health Minister under frequent 	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> WAO Review endorsed improvements in partnership landscape in Cardiff and establishment of a senior 'Virtual Team' now bringing benefits in terms of shared operational 'grip'. Performance continues to improve subject to winter pressures 	Tony Young

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homes and reduces the need for / length of hospital stays.	reputational and political risk.				<ul style="list-style-type: none"> review to monitor progress. Health & Social Care Integration - continued progression on integration with Health - partnership / governance. Community Resource Team moved to 7 day working. Comprehensive ICF funded interventions designed to strengthen domiciliary care capacity in place. Strategy to engage more proactively with the market in order to support better sustainability in domiciliary care established. 				<ul style="list-style-type: none"> Market management impacting effectively and containing 'price'. Strategic review of reablement as part of ODP. Strategic review of Matrix (Adam) and Proactis commissioning platform under way with a view to considering new framework arrangements. 	
<p>Performance Management</p> <p>A performance management culture is not embedded within the Council leaving the Council exposed to intervention by Welsh Government in line with the Local Government (Wales) Measure 2009 and associated requirements.</p>	<p>Reputational / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> The strategic and corporate level changes do not have the intended impact because they are not fully embedded in operational practices. Council unable to accelerate performance improvement as planned/desired. 	B	2	High Priority	<ul style="list-style-type: none"> The Council's improved approach to the way it manages its performance was recognised by the Wales Audit Office's follow-on report, but it is also clear there is more work to be done to build on the success achieved so far. A Performance Management programme has been put in place to deliver the required change to address three key areas relating to Reporting, Planning and Challenge. The Council's approach to Performance Management will continue to develop the way in which Benchmarking data is used, with specific emphasis on measuring the Council's improvement compared to Local Authorities across Wales and in the Core Cities group. Balanced Scorecards are produced each quarter and circulated to Cabinet and Directors for use in improving communication of performance. The continuing development of a scorecard approach to reporting is a key part of the Performance Management programme of activity. The project teams have ensured their work incorporates the requirements of The Well-Being of Future Generations Act 2015, and the managed transitions between the Local Government (Wales) Measure 2009 and the requirements of the new legislation. The project teams have developed a new Quarterly performance report template that has been considered and accepted at SMT and formed the basis for reporting at Q1. Incremental changes to this were introduced in Quarter 2 and further improvements will be made in Q3. Increasing the transparency with which we manage our performance The Self-Assessment process has been completed and fed into the SMT Corporate Plan workshop which identified high level key themes that link the Wellbeing & Future Generations Act. Consistent RAG ratings have been agreed and developed for Corporate Plan commitments A consistent RAG methodology has been developed to enable a mathematical approach be applied to performance indicators Directorate scorecards were introduced for the Quarter 2 performance report and presented to PRAP, these were well received and will continue to be used and developed PSG (Performance Support Group) has been established. This group reviews the Quarterly Performance Report to identify where and how performance can be improved. The group also identify areas for further discussion at SMT and Star Chamber Wellbeing objectives have been developed in line with the Corporate Plan development timeline and endorsed by SMT and presented to informal cabinet A target setting process and pro forma has been developed to support the use of appropriate measure and accurate targets in the Corporate Plan and Directorate Delivery Plan A new Directorate Delivery Plan template has been developed which also incorporates the Future Generations requirements and the 5 ways of working. This has been presented to PSG and the template has been endorsed by SMT Reporting scorecards have been trialled by representatives of PSG. These were presented at PSG and were well received. The Corporate Plan has been developed and approved by Full Council 	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Developing a reporting framework that allows the right audiences to focus on the right level of detail to better aid decision-making. Some elements of this will be used in the Q4 2016-17 performance reporting cycle and it will be fully implemented for the reporting of performance for Q1 2017-18 to ensure robust reporting arrangements for the WBFG Act Ensuring greater effectiveness of corporate planning frameworks, with clearer accountabilities and enhanced 'line of sight' A new Directorate Delivery Plan template has been developed, which also incorporates the Future Generations requirements and the 5 ways of working. All directorates are developing these plans and will use them from April onwards. They will be used and monitored throughout the year to ensure they represent a clear and up to date statement of what the directorate is aiming to deliver and the progress it is making. Service Level scorecards are currently being developed across the Council. These will be used from the start of 2017-18 by all Services and will combine planning and reporting elements. This will give the organisation a consistent view of what each Service is trying to achieve and the progress they are making. These Scorecards will be used, where appropriate, to provide additional detail to supplement the reporting against the Strategic Directorate Priorities and the Corporate Plan Wellbeing Objectives. 	Christine Salter (Joe Reay)

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<p>Organisation Development</p> <p>OD projects fail to deliver the radical change required to deliver efficiency savings and service changes, due to service and resource pressures.</p>	<ul style="list-style-type: none"> The Council's budget constraints are so severe that the consequence of not delivering large-scale change could have a major impact on customer services. Radical changes to service delivery models may impact on the Council's reputation if not planned, co-ordinated and governed effectively. If change is not delivered, there could be unplanned reduction in staffing to achieve savings, which would result in loss of business knowledge and resources to implement change. Reputational impact if services do not meet increasing customer expectations. If change is not effectively planned, managed and implemented it may be delayed and subsequently impact on the Council's ability to achieve necessary savings and service improvements. With the increased budget pressures, the Council may not have sufficient capital and revenue to invest in technology which would achieve medium and long-term improvements and savings. 	B	1	High Priority	<ul style="list-style-type: none"> Governance arrangements established, led by the Chief Executive and Programme Boards, chaired by Directors to ensure change is delivered Disciplined approach, where risk assessment forms an integral part of the approach to change Programmes initiated with dedicated resources Experienced gained by managing programmes and projects over a number of years, building on lessons learned Building capacity and capability across the organisation through development opportunities and skills transfer Appropriate engagement and stakeholder management, including Trade Union meetings and updates for PRAP, Scrutiny and Internal Audit. Improving compliance to project and programme management governance standards by streamlining core processes and enhancing reporting, increasing transparency across change initiatives. Continued implementation of Programme & Project Management Database to enhance management information and reporting. Investment Review Board review/approve Business Cases and prioritise resources. Organisational Development Board joined up with Senior Management Team who meets monthly to discuss the OD Programme. This ensures all Directors are fully engaged with the OD Programme. OD/SMT Board approved Programme Briefs for Reshaping Services, Enabling & Commissioning and all component programmes. OD/SMT have approved the draft Digital Strategy, ahead of formal submission to Cabinet in May 2016. Improved reporting for the OD Programme has been developed (Dashboard Reports) and implemented at OD/SMT Board. These reports are produced 4-weekly. Appointment of programme managers to oversee the OD Programme (OM2 in April 2015 and OM1 in August 2015) has provided additional capacity and direction. SharePoint implementation within OD began in December 2015 and will continue through spring 2016, further improving information management, efficiency and internal communications. Control Risk Self-Assessment tool piloted in OD to inform strengths and weaknesses in controls and help prioritise areas for improvement. PRAP Scrutiny Committee received an update on the ODP in January 2017. 	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> New Programmes & projects being initiated as part of Organisational Development – driving change from within Directorates, but corporately governed. SMT receive monthly updates on the ODP via two dashboards. These contain details on new issues/risks, progress updates on projects, resources allocated to the programme and 'deep dives' on selected projects. An organisational development process has been drafted to ensure that any new work given to the OD team is reviewed and prioritised. This new process may well lead to some work not being resourced by the OD team and therefore we are looking for SMT to be involved in this new way of working. This will be presented as part of the ODP review. The Social Services Improvement Programme and the Vulnerable Children & Families Programme (that both sit within the Reshaping Services Programme) have now been evaluated and a single Social Services Development Programme has been established. A number of new projects have been identified, as well as current projects that are now either closed or have become BAU, and meetings will take place during April to develop this new Programme further. This new Programme will also need to be considered as part of the independent review that is being carried out of the ODP. The external independent review commenced in March 2017, and a report is to be issued in April 2017. 	Christine Salter (Dean Thomas)
<p>Business Continuity</p> <p>Large scale incident/loss affecting the delivery of services.</p>	<p>Reputational / Legal / Financial / Stakeholder / Service delivery / Health & safety</p> <ul style="list-style-type: none"> Health and Safety – potential impact on staff and on the public relying on our most, time sensitive, critical services. Legal action - Failure of key services could lead to Legal action against the council. Financial - Failure of key services could lead to significant financial cost both in terms of Ombudsman action and Enforcement action from regulatory bodies as well as individual legal action against the corporate body where service failure leads to legal action against us from private claimants. Reputational - Impact on key services to the public could lead to significant reputational damage to the organisation. Stakeholder – Impact on key stakeholders as result of failure. Service delivery – Potential significant impact on service delivery to the public, impact of key services could lead to significant impacts to the public and the corporate body un delivering its services. 	B	1	High Priority	<ul style="list-style-type: none"> The Council has a BCM Champion who sponsors BCM at a strategic level and is actively supporting the BCM Programme. We have an approved Business Continuity Policy which is aligned to ISO22301. BCM Intranet web page. BCM toolkit is now available on CIS allowing all service managers to develop an appropriate BCM response for their services allowing future effective maintenance and audit. BCM workshops are available from the BC Officer on request. The Council has employed a Business Continuity Officer (appointed October 2010). The officer is a qualified ISO22301 lead auditor. The Emergency Management Unit has developed an Incident Management Plan (Cardiff Councils Emergency Management Plan) to ensure alignment with ISO22301 this has been distributed to all Directorates. The Council has a 24 hour Incident Management structure for Gold and Silver Officers. The Red and Amber activities were last reviewed in July 2014. The BCM Champion presented a report to the SLT on the position on all the Red and Amber activities. Directors, Assistant Directors and Chief Officers were tasked with ensuring that their Red and Amber activities had business continuity plans produced and audited by the end of 2014/2015. A partnership approach between the Emergency Management Unit and the Corporate Risk Steering Group is helping to raise awareness and drive forward the BCM programme. 87% of our most time sensitive activities (Reds) now have Business Continuity plans which have met, or are going through, audit. Work on the remaining plans is ongoing to close gaps and bring them up to date and in line with the corporate audit requirement 24 % of our Amber activities now have business continuity plans which meet the business continuity audit requirement. Cardiff Council is a member of the Core Cities Business Continuity Group and has been for the last 7 years. This membership allows the sharing of best practice and joint initiatives between group members. The Business Continuity Officer has been working closely with the procurement section of Resources to ensure that the resilience of suppliers is considered carefully when procuring services which are important to our most time sensitive activities, our Red and Amber activities. Internal Audit conducted an audit of the Business Continuity Risk in the first 2 quarters of 2015 / 2016 a briefing note has been issued to SLT on the current position and actions moving forward to further enhance our organisational resilience. The BC Officer is actively supporting the development of an appropriate Threat and Response Policy to support council security arrangements. 	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> The BC Officer is working closely with Facilities Management to ensure they have effective plans in place to help manage possible business disruptions to our core buildings. Work with ICT to ensure our core infrastructure is as resilient as practical to support a resilient and effective delivery of essential ICT services and the effective planning for recovery of critical IT services after an incident that affects our IT. The Emergency Management Unit are planning a piece of partnership work with ICT to support areas that provide red activities in assessing the impact the loss of technical services, and ensuring suitable mitigation is in place to make our red services more resilient, where this is possible. Work with the teams involved with looking at the potential of using alternative delivery models for council services. Identifying risks associated with alternative delivery models for specific services and recommend potential risk management solutions for implementation, to protect the delivery of our most critical services. The Business Continuity Officer is working to develop and enhance individual Directorate response capability to ensure Directorates are in a stronger position to respond to incidents which could impact on the Council and our most time sensitive activities. The Business Continuity Officer is proposing working closely with Education and Life Long Learning to support them in developing a school specific Business Continuity Plan template to enhance schools resilience capability. 	Christine Salter

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
					<ul style="list-style-type: none"> The Business Continuity corporate risk has just gone through a further Internal Audit review and the BC Officer has worked closely with Internal Audit to provide them with the support, evidence, and guidance needed to allow them to review this risk. The Corporate Emergency Management Plan was fully revised and updated in March 2017. The Corporate Incident Management structure and Emergency Management Plan, and the Corporate recovery plan were exercised and validated in a corporate wide exercise on the 29th of March 2017, this exercise also provided an opportunity for individual Business Continuity plans to be activated. 					
<p>Legal Compliance</p> <p>Changes in services and staff roles across the Council resulting in:</p> <ul style="list-style-type: none"> - gaps in Council wide knowledge of the local authority framework of responsibilities and duties within which we have to operate; - inability to deliver the services in accordance with all duties and responsibilities due to lack of resource: <p>In each case leading to increased risk of challenges.</p> <p>Reduction and changes in front-line services, discretionary and statutory, will lead to increased risks of challenge from users and other stakeholders affected.</p>	<p>Reputational / Legal / Financial / Service delivery</p> <ul style="list-style-type: none"> Increase in number of challenges and complaints with consequences in terms of already stretched resources and impact of adverse decisions Implementation of decisions delayed due to challenges and potentially fatally disrupted. Impact on projects if reputation for sound management and implementation of projects is damaged Major incident. Adverse press/media reaction Involvement from Welsh Government in terms of performance standards or measures. Increased costs 	B	2	High Priority	<ul style="list-style-type: none"> Professional internal legal and financial advice provided to a high standard. Maintaining robust decision making process with legal implications on all Council, Cabinet and Committee reports and Officer Decision Reports at Director level. Appropriate use of NPS Legal Services by Solicitors Framework to increase resilience. Dedicated teams in specialist areas e.g. equalities, FOI / DPA. Sharing training/publications received. 	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Prioritisation of work to make best use of internal expertise (including programme of projects in accordance with SMT decision) Further development of standard precedents with guidance for use in cases of low value/low risk/repetitive matters Provide legal training to Directorates to develop knowledge within Directorates of specific statutory functions. Encourage Directorates to ensure reports are discussed at preliminary stage in development to ensure all legal issues are addressed early 	Davina Fiore
<p>Education – Schools Delegated Budgets</p> <p>Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans, impacting on the overall budgets for all schools.</p>	<p>Reputational / Legal / Financial.</p> <ul style="list-style-type: none"> Budget implications. Reducing educational standards. <p>Intervention from WG</p>	A	2	High Priority	<ul style="list-style-type: none"> The 2017/2018 delegated budget allocations were issued to schools in early March 2017 and monitoring arrangements put in place for those schools showing financial concern. Officers from Education and Financial Services have started to work with individual schools through Headteachers and Governing Bodies to formulate Medium Term Financial Plans (MTFP) to seek to either balance individual school deficits within four financial years or to ensure that the accumulated deficits were frozen or slowed as much as possible. The previous fall in pupil numbers for certain schools made it clear that a longer period than four years was needed in order to achieve a balanced medium term position Officers continue to monitor and challenge those schools in deficit before allowing any additional financial commitments, both staffing and other expenditure. Work ongoing with all schools but focussed targeting on specific secondary schools to continue to dampen the growth in deficits and ensure that those that do occur are recoverable. Reviewing closely with Education Management Team and SOP in particular as to the opportunities available to address short medium term fall in pupil numbers for certain secondary schools For each school in deficit, the Council has identified a monitoring officer to provide an independent challenge to the school. This is in addition to the LFM Officer currently supporting that school Individual school budget monitoring positions reported to Education Management Team on a quarterly basis Officers have exercised the statutory powers of intervention in three secondary school governing bodies which is beginning to have a positive impact on the ability of the Council to ensure schools meet the targets set out in their deficit recovery plans. School Budget Forum has agreed a revised protocol for responding to schools in deficit and this needs regular review with a tightening on the number of deficit budgets accepted. This has been reflected in the harder message contained within the 2017/18 school budget letters and the 2017/18 Budget Report. Finance Officers continue to meet with Challenge Advisers to discuss individual schools in respect of their financial and school standard performance. The Council has been able to protect school delegated budgets over and above the Welsh Government threshold and a smaller number of schools than in 16/17 have been identified as requiring meeting with S151 officer and senior education officers. These meetings will take place in April and early May. The Council will also introduce an increased level of scrutiny of school curriculum plans through support identified with the Central South Consortium. 	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Council make full use, if necessary, of formal warnings and powers of intervention. Officers exercise the statutory powers of intervention on a school or schools in deficit who are unable to provide a medium term financial plan, this may involve removing delegation from a Governing Body. Officers explore through the School Organisation Planning process how different organisational arrangements for schools would affect the supply of pupils to schools thus affecting their delegated budgets. This will include an understanding of the long term impact of any unused school supply places on the funding formula. Work is continuing with the School Budget Forum and consortium to ensure that the formula funding mechanism is transparent and remains fit for purpose whilst considering any interaction or impact of any grant allocation decisions. Maintaining the need for financial probity whilst ensuring that each school has the opportunity to improve school standards. Working with consortium to ensure that maximising value from constituent parts of Education Improvement Grant is secured and that there is clarity of allocation mechanism for 2017/18 and beyond. Following consultation with the School Budget Forum to undertake an audit during the Summer Term 2017 to identify the actual impact of the schools budget settlement at individual school level. Developing the medium term budget strategy for 2018/19 and providing early notification to budget forum and individual schools of likely impact of said strategy. 	Nick Batchelar (Neil Hardee)

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
<p>Fraud, Bribery and Corruption</p> <p>Fraud, financial impropriety or improper business practices increase as internal controls are weakened as resources become severely stretched.</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> Increase in frauds and losses to the Council. Reputational risk as more frauds are reported. Increased time investigating suspected fraud cases. 	B	2	High Priority	<ul style="list-style-type: none"> The Council communicates a zero tolerance approach to fraud, bribery and corruption. Regular review of relevant policies and procedures e.g. the Fraud, Bribery and Corruption Policy, Money Laundering Policy and Disciplinary Policy. Financial Procedure Rules and Contract Standing Order and Procurement Rules frameworks for staff to follow. Dedicated team of professionally trained and experienced investigators to prevent deter and detect fraud against the Council. Proactive work on National Fraud Initiative exercises led by the Internal Audit team, in collaboration with the Cabinet Office and Wales Audit Office. Receipt and dissemination of fraud intelligence alerts from law enforcement agencies. Regular reports to the Section 151 Officer and Audit Committee and the Chief Executive. Audit Committee review and assess the risk management, internal control and corporate governance arrangements of the authority. Independent assurance from Internal and External Audit on the effectiveness of governance, risk and control. Procurement team compliance role relating to contract procedure rules. Savings proposals are reviewed and supported by a robust business case and process in consideration of risks to the operation. Ongoing delivery of briefings to Schools on fraud and control risks. Cardiff Manager Programme includes session on risk management and compliance / control. Senior Management Assurance Statements – challenge to Directors and the Chief Executive. Provision of disciplinary management information on DigiGov. Multi-team collaboration in the development of the updated Disciplinary Policy and supplementary guidance materials. Mandatory disciplinary e-learning module for all managers to complete and a programme of mandatory e-learning modules and training for Disciplinary Hearing Chairs, Investigating Officers and Presenting Officers. Reported to Audit Committee September 2016, raising awareness of the three documents published by CIPFA and an Executive Summary on Fighting Fraud and Corruption Locally. A Fraud Publicity Strategy has been approved, to publicise the Council's approach to counter fraud work / sanction activity and explain the roles and responsibilities of key parties. A Prosecution Policy has been in place since mid-2016. 	B	3	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Fraud Team to liaise with the Monitoring Officer and agree a policy for monitoring employees at work and a management framework for its enactment. Fraud Team to liaise with Monitoring Officer to produce a policy for undertaking online investigations. Continue to deliver the mandatory face to face training for Investigating Officers, Presenting Officers and Disciplinary Hearing Chairs. Develop and deliver a programme of training for investigatory interview note takers. Review process for ensuring appropriate fraud, bribery and corruption awareness for Council officers. Continued delivery of Cardiff Manager Programme. Fraud Team to review a sample of Disciplinary Hearing outcomes, challenge consistency of disciplinary sanctions and report findings to the Section 151 Officer and Audit Committee. HRPS to enhance DigiGov to facilitate changes introduced by the new Disciplinary Policy and the production of management information, by the end of quarter 1 2017/18. Measure the effectiveness of fighting fraud and corruption against the CIPFA strategy by the end of Q2 2017/18. Undertake a skills assessment of the investigation team and invest in training as appropriate. 	Christine Salter (Ian Allwood)
<p>Asset Management</p> <p>Ensure effective operation of the Council's Asset Management Board to achieve effective strategic oversight and identified savings.</p>	<p>Reputational / Legal / Financial / Health & Safety / Stakeholders</p> <ul style="list-style-type: none"> Poor use of assets / VFM. Lost opportunity for capital receipts. Increased maintenance. Prosecutions / fines. 	B	2	High Priority	<ul style="list-style-type: none"> Cabinet formally approved a new Property Strategy in November 2014. Corporate Asset Management Board and supporting Working Group now set up to raise property profile and introduce more structured, disciplined approach to management of property and the Office Accommodation Rationalisation Programme. Established rolling programme of 'Fitness for Purpose' reviews of all council properties providing high level assessment of the current performance and value of buildings. Carbon Management / Energy Efficiency - Certificates / General Awareness / Introduction of Energy Renewables Strategy. Established Implementation Plan for the new Property Strategy. Determined governance and work programme updates for new Corporate Asset Management Board at meeting in January 2015. Review of Investment portfolio completed. Report on future strategy and direction of non-operational estate presented to PRAP in January 2015 for onward consideration by Cabinet in June 2015. Asset Management Plan considered by Cabinet in July 2015. Future Strategy and direction of the Council's non – operational Investment Estate approved by Cabinet in November 2015. Asset Management Board and Partnership Board fully operational. Delivered targets in Corporate Asset Management Plan in 2015-17 as follows: <ul style="list-style-type: none"> Gross internal floor area reduced by 3.5% Maintenance backlog reduced by @£4.4m Running cost reduced by £1m Delivered £6.7 million capital receipts Corporate Asset Management Plan 2016/17 considered by Cabinet in July 2016. A property investment board has been established comprising officers from Strategic Estates, Capital and Revenue Accounts and also an external property advisor. The external property advisor was appointed in March 16. Advisor appointed in Q1 to assist with the review of all investment assets and to develop an Investment Estate Strategy. Completed Insole Court community asset transfer (CAT), which was the largest CAT in Wales. Progressing Corporate Asset Management Plan targets. In quarter 2 we achieved a 0.9 reduction in GIA, 2.2% reduction in running costs, £3,054,000 reduction in maintenance backlog, and £2,401,710 in capital receipts. 	D	2	Medium Priority (Amber/Green)	<ul style="list-style-type: none"> The Real Estate IT project is to be incorporated into the Corporate Landlord OD Programme. 	Neil Hanratty

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
					<ul style="list-style-type: none"> Inaugural Investment Estate Strategy completed. Approved by Cabinet and Scrutiny. Regular monthly Investment Estate Board meetings are taking place to manage implementation of the Strategy. On course to achieve the 5 year Corporate Property Strategy targets by April 2020. CAMP achievements for 2016/17 - 7.9% reduction in GIA (617,593 sqft), 9.2% reduction in running costs (£3.3m), £4,500,000 reduction in maintenance backlog and £6m capital receipts. 					
<p>Workforce Planning</p> <p>Importance of forecasting and planning to build capability and capacity for the future is not fully recognised and embedded.</p>	<p>Reputational / Financial / Stakeholder / Service delivery</p> <ul style="list-style-type: none"> Poor service delivery due to ineffective use of resources. Lack of resources with the knowledge and skills the Council requires for future delivery Loss of resources and recruitment problems. Poor morale Loss of experienced staff members including managers Reduce the likelihood of attracting high calibre managers to Cardiff Council Risk of not meeting statutory and legislative requirements in relation to specific workforce requirement e.g. social care. Risk of workforce not representing the communities to which services are delivered. 	B	2	High Priority	<ul style="list-style-type: none"> Workforce strategy developed and agreed by Cabinet in April 2015 The Workforce Strategy programme has been developed to encompass a number of projects which relate to the requirements around this risk, including Workforce planning, Learning & Development, PPDR review and Employee Voice. The Workforce planning project has a completed project brief identifying a number of key outputs required for workforce planning including with to review, develop and implement workforce planning Workforce planning dashboard data provided to each Directorate to inform Directorate Delivery Planning discussions and development. The alignment of DDP's and the Workforce Strategy has been piloted within Children's Services. Behavioural Competence Framework implemented, including 12 behavioural competencies set out in 4 levels as a way in which the Council describes its people and jobs. Work is being carried out on linking processes that can be used for the identification and development of potential e.g. Recruitment & Selection, PPDR and Cardiff Academy and underpinning these with the Competency Frameworks. Additional research and benchmarking undertaken to help inform WFP approach going forward; including – attendance at WLGA – Work Force Planning Wales event. LGA/ Skills for Local Government hosted COP event. HR working with Directorates where required, to help identify appropriate strategies to support their WFP agenda. Children's Services have developed a Workforce Strategy for their area which is being reviewed on a regular basis. Resources have held a workshop which focussed on Professional and Technical areas to inform the key skills required for the Directorate going forward. Work has taken place with Cardiff and Vale College to look at an Essential Skills diagnostic tool and this is now being rolled out to frontline employees through Commercial Services A programme of NVQ study is been discussed with Cardiff & vale College and Commercial Services are coming forward with cohorts of employees to attend. Employee surveys carried out to identify areas where further employee engagement / development can be focused. 	B	3	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Work is being carried out with WLGA and WAO to look at a Wales wide workforce planning process for use within Local Authorities. The programme plan for the Workforce Strategy Programme gives full details of the improvement action plan. The milestones are set out in the programme plan and regularly reviewed. This plan is reviewed monthly through the Enabling and Commissioning Board. A review of the courses provided by the Cardiff Academy is taking place to ensure that these meet the skills requirements for the future. The Council is committed to providing apprenticeships and traineeships for young people and this programme will be enhanced further with a specific target of 100 opportunities for 2017/18. The Council is to look at its resourcing strategies to ensure that it is a considered employer for young people leaving school, college and universities. Recruitment advertising to be reviewed and processes put in place to ensure that adverts are reaching hard to reach groups Work is taking place to identify areas where the employee group is not representative of the communities and actions identified of what could be done to improve this Actions being taken to improve the accessibility to Welsh language either through the recruitment process or through the training and development of current employees Development to take place of a corporately agreed skills set for the future delivery of services so that all employees and posts can be measured against this skill set to identify learning and development gaps Workforce planning tool kit to be rolled out to pilot areas during 2017/18 and then full rollout from 2018/19 An IT solution to be sourced during 2017/18 in order to develop workforce planning further and to ensure that the Council has available the data it requires to ensure efficient workforce planning in the future. 	Christine Salter (Philip Lenz)



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2017 Audit Plan – **City of Cardiff Council**

Audit year: 2017-18

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This document is also available in Welsh.

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2017 Audit Plan

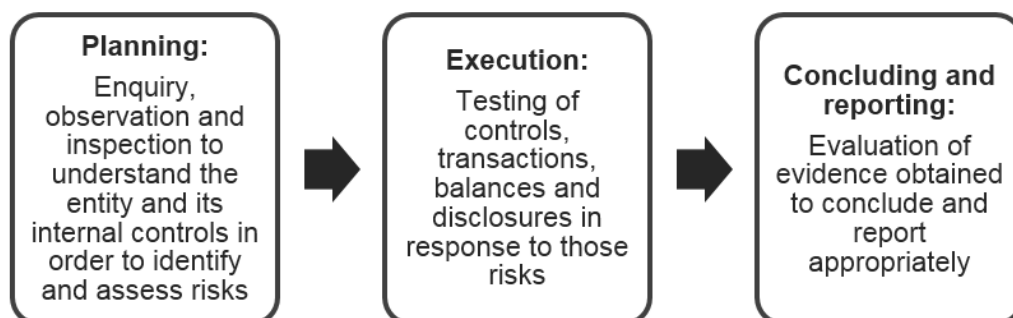
Summary

- 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 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](#).

Audit of accounts

- 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 [Appendix 1](#) sets out my responsibilities in full.
- 8 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



9 The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, 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 Statement Production and Accounting Disclosure Issues</p> <p>The timetable for producing the financial statements remains demanding, with an expectation that faster closing will be needed in future when accounts deadlines move forward. Management will need to ensure that appropriate arrangements remain in place to prepare robust financial statements compliant with the Code of Practise on Local Authority Accounting and to consider areas where the closedown and collation process can be accelerated in readiness for the expected future faster closing requirements. The Code has imposed revised accounting arrangements for 2016-17 which apply retrospectively and require restatement of the 2015-16 comparator data, comprising –</p> <ul style="list-style-type: none"> • the basis of presenting Net Cost of Services within the Comprehensive Income and Expenditure Statement; and • the introduction of a new Expenditure and Funding Analysis note. <p>We are aware that management are looking to streamline the financial</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • Provide support and advice to the Council wherever possible without compromising our independence; • Review Closedown plans to assess that arrangements are in place to produce robust, Code compliant financial statements within the prescribed timetable; and • Undertake audit procedures designed to ensure sensitive disclosures and presentation of data is in accordance with the Code.

Financial audit risk	Proposed audit response
<p>statements, looking to remove extraneous information and 'de-clutter' the disclosures to focus on key information relevant to the users of the accounts.</p> <p>Based on previous audit experience and issues reported in previous years, we shall also be considering risks concerning;</p> <ul style="list-style-type: none"> • Presentation of service costs and revenues net of internal recharging between directorates; • Group account consolidation and disclosure of relevant information on all subsidiaries, joint committees and joint ventures (for example, the impact from the Cardiff Business Improvement District); • Presentation and collation of Remuneration Report disclosures; • Clear down of balances within Creditor balance codes; and • Accounting treatment of grant income recognised in the year of account. 	
<p>Financial Challenges and Management Override Risks</p> <p>The Council continues to face significant financial pressures in common with the rest of the public sector, stretching available resources to cover higher service demand in many areas. This increases the risks of manipulation of balances to understate expenditure or to overstate income. Risk is increased where judgement or estimation is required for example. .</p> <p>While the Council's control environment is designed to prevent manipulation, 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 at all audits.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • Reflect the Council's financial position in planning the audit and will direct audit testing to the areas of greatest risk; • Test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • Review accounting estimates for biases; and • Evaluate the rational for any significant transactions outside the normal course of business or those susceptible to management judgement.
<p>Asset Management and Capital Programme Accounting</p> <p>The Council continue to progress a number of schemes summarised in the Capital Asset Management Plan to both redevelop and regenerate areas of the city and also</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • Review how capital schemes have been accounted for and disclosed within the financial statements; and • Review the recognition, classification and valuation of assets to ensure appropriate Code

Financial audit risk	Proposed audit response
<p>reduce the asset portfolio to achieve both capital receipts and revenue savings from reduced maintenance and management costs. There is a risk that the financial implications, commitments and progress on these schemes will not be correctly reflected in the accounts.</p> <p>Previous audits have also identified accounting issues relating to the Council's assets, in particular the classification and valuation of assets as Investment Properties, incorrect capitalisation of non-enhancing expenditure and classification of assets held for sale. We also note that a significant proportion of the asset portfolio will have been revalued as at 31 March 2017.</p>	<p>compliant accounting treatment has been applied.</p>
<p>Cardiff Capital Region City Deal:</p> <p>City deals are arrangements negotiated with government that give greater accountability for actions in return for new powers to help encourage growth and jobs. The Cardiff Capital Region City Deal (the City Deal) involves 10 South Wales local authorities. The City Deal was ratified by all participating authorities on 1 March 2017. The authorities have established a joint committee (the Regional Cabinet) to oversee delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure over the course of 20 years. The City Deal includes funding of £734m for the South Wales Metro, of which over £500 million is provided by the Welsh Government and £125m from the UK Government. In addition, the UK Government has provided a £375m contribution, and the ten local authorities have agreed a commitment to borrow a combined total of £120million as part of the Wider Investment Fund. This significant programme will have financial, governance and delivery risks that need to be managed. There will be a number of accounting issues to address.</p>	<p>Liaising closely with the external auditors of the other nine Local Authorities, my audit team will monitor progress with the City Deal project and carry out early work as necessary to assess the existing and proposed financial and governance arrangements. We will also take into account the work undertaken by HM Treasury to scrutinise the effectiveness of the region's governance arrangements.</p>

10 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 levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.

- 11 For reporting purposes, I will generally treat any misstatements below a 'trivial' level (the lower of 5% of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
- 12 My fees are based on the following assumptions:
- information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
 - all appropriate officials will be available during the audit;
 - 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.
- 13 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

- 14 I have been requested to undertake certification work on the Council's grant claims and returns as set out in [Appendix 2](#). In 2017, the Council has been asked to participate in an expanded pilot of a new outcomes approach to the certification of Welsh Government grants. The specific claims and returns to be audited will be confirmed with officers and Welsh Government.
- 15 My audit fee for this work is set out in [Exhibit 7](#).

Overall issues identified

- 16 [Exhibit 3](#) summarises the more significant and/or recurring issues I identified when undertaking grant certification work in 2015-16.

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

Qualified grant claims and returns qualified in 2015-16
In 2015-16 there were 15 grant claims in respects of 12 schemes. We qualified 2 of the 15 compared to 2 of 18 claims qualified in 2014-15. The issues on which we qualified related to the underpayment of housing benefits which we are obliged to report to the Department of Work and Pensions, and the lack of a complete audit trail evidencing expenditure incurred and claimed by a third party partner organisation.
Effectiveness of grant coordination arrangements
Of the 15 claims for 2015-16 that required certification, 3 were submitted late. This represents a decline in performance from 2014-15 when all claims were submitted on time – however, the length and reason for the delays were acceptable for all three claims and relate to matters outside the Council's control

Issues related to specific grant claims and returns

- 17 In addition to the overall issues identified above, I summarise the more significant issues I have identified relating to individual grant claims and returns in [Appendix 2](#).

Other work undertaken

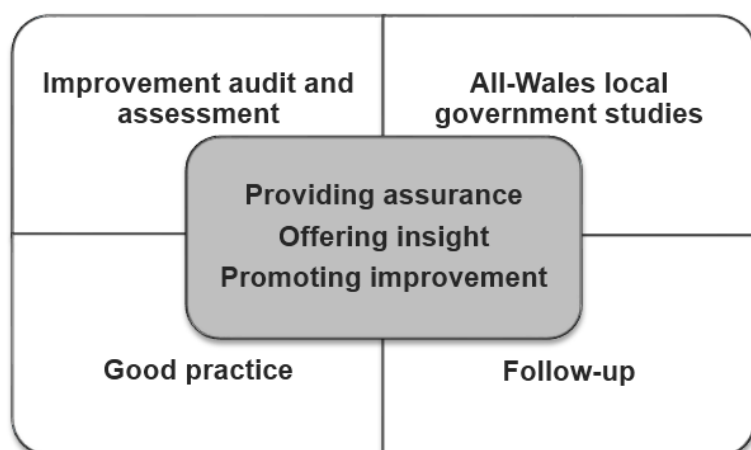
- 18 I am also responsible for the audit of:
- Cardiff Harbour;
 - Cardiff Port Health Authority;
 - Glamorgan Archives Joint Committee; and
 - Project Gwyrdd.
- 19 My audit fee for this work is set out in [Exhibit 7](#).

- 20 In addition to the above work, we will also be required to audit the annual return for the Cardiff Capital Region City Deal following the establishment of the joint committee on 1 March 2017. The level of work required this year on the annual return is relatively minor and has been incorporated into the main audit fee for this year. It will be separately shown in future years.
- 21 You will be aware that the CIPFA/LASAAC Local Authority Accounting Code Board (Code Board) has been considering a planned move to measure the local authority highways network asset at depreciated replacement cost. The Code Board decided at its meeting on 8 March 2017 that it would not now pursue this approach further.

Performance audit

- 22 The components of my performance audit work are shown in [Exhibit 4](#).

Exhibit 4: components of my performance audit work



- 23 Local government in Wales is going through an unprecedented period of change. Austerity continues to bite, audited bodies are required to adopt the principle of sustainable development from April 2016, and local government reform remains under consideration.
- 24 For 2017-18 the Measure will still be in place, and I will still need to examine whether authorities will meet their duty to make arrangements for continuous improvement. The challenge for me in these uncertain times is to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments.
- 25 During 2016 I consulted with public service bodies on how I can best discharge my various duties whilst striking the most appropriate balance and adding value by:
- providing assurance on the governance and stewardship of public money and assets;

- offering insight on the extent to which resources are used wisely in meeting people's needs; and
- identifying and promoting ways by which the provision of public services may be improved.

26 In addition to the annual programme of audit and assessment work, the Wales Audit Office also undertakes a programme of local government studies. This work is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund and not local fees. **Exhibit 5** summarises the present position on the current programme of studies. These studies primarily lead to a national report augmented by good practice and shared learning outputs rather than by local reports. Local findings, where relevant, will be captured in improvement assessment work and reported in annual improvement reports depending on the timing and the focus of conclusions.

Exhibit 5: local government studies

Study	Status
2015-16 studies	
Community safety	Published October 2016
Income generation and charging	Published November 2016
Council funding of third sector services	Published January 2017
2016-17 studies	
How local government manages demand	Fieldwork
Strategic commissioning	Fieldwork
Improving well-being through housing adaptations	Fieldwork

27 Taking all these factors into consideration, my 2017-18 programme of work will comprise:

Exhibit 6: performance audit programme

Performance audit programme	Brief description
Improvement audit and assessment work including improvement planning and reporting audit	Audit of discharge of duty to publish an improvement plan, and to set improvement objectives

Performance audit programme	Brief description
Local risk based work for 2017-18 has yet to be agreed with the Council.	To be confirmed We will provide an update to the Audit Committee once this work has been agreed.
Service User Perspective review	A user-focussed review. Specific area to be agreed with the Council.
WFG baseline assessment	The Year One Commentary: We will gather evidence on how the 44 bodies are beginning to respond to the requirements of the WFG Act and identify examples of notable emerging practice. The work will be designed to support improvement and inform future audit work under the Act.
WFG Scrutiny review	This review will examine the impact of the WFG Act on the work of scrutiny committees, including PSB scrutiny, facilitating improvement and the sharing of good practice
2017-18 Local Government Studies	Funded by Welsh Government
Services to rural communities	To be confirmed
Use of data	To be confirmed
Intermediate care fund	To be confirmed

- 28 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

- 29 The Wales Audit Office does not generate profits on fees. Legislation requires that the fees charged may not exceed the full cost of exercising the function to which the fee relates. The fee rates are set at a level to recover that full cost. My fee rates have been held static for 2017 and my audit teams will continue to look for efficiencies in their audits and welcome working with you constructively on this.
- 30 Your estimated fee for 2017 is set out in [Exhibit 7](#). This figure represents a 1.7% decrease compared to the total actual fee for 2016.

Exhibit 7: audit fee

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts ²	279,664	291,200
Performance audit work ³	108,801	108,774
Grant certification work ⁴	65,000	58,644
Other financial audit work ⁵		
Cardiff Harbour	17,318	17,333
Cardiff Port Health Authority	2,100	2,373
Glamorgan Archives Joint Committee	2,100	2,373
Project Gwyrdd	2,100	2,373
Welsh Purchasing Consortium ⁶	-	2,373
Total audit fee	477,083	485,443

Notes:

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

² Payable November 2016 to October 2017.

³ Payable April 2017 to March 2018.

⁴ Payable as work is undertaken. There are changes to the grants programme for 2016-17 as the Council is one of the pilot sites for the new Welsh Government approach to auditing grants and EU convergence grants finished in 2016.

⁵ Payable on conclusion of audit work

⁶ 2015-16 was the last year of audit

- 31 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.
- 32 Further information on my [fee scales and fee setting](#) can be found on the Wales Audit Office website.

Audit team

- 33 The main members of my team, together with their contact details, are summarised in [Exhibit 8](#).

Exhibit 8: my team

Name	Role	Contact number	E-mail address
Ann-Marie Harkin	Engagement Director/ Engagement Lead – Financial Audit	02920 320500	ann- marie.harkin@audit.wales
Huw Rees	Engagement Lead – Performance Audit	02920 320500	huw.rees@audit.wales
Matthew Coe	Financial Audit Manager	02920 320626 07748 181683	matthew.coe@audit.wales
Jon Martin Tony Era	Financial Audit Team Leaders	02920 872259 02920 872258	jon.martin@audit.wales tony.era@audit.wales
Steve Barry	Performance Audit Manager	029 2082 9323 / 07786 190210	steve.barry@audit.wales
Tim Buckle	Performance Audit Lead	02920 320653 / 07854 652640	timothy.buckle@audit.wales

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

Staff secondment

35 A trainee accountant employed by the Wales Audit Office has been seconded to the Council for the period 13 December 2016 to 28 April 2017. This secondment is part of an initiative funded by the Welsh Consolidated Fund designed to allow trainee accountants to broaden their skills and to gain experience of working across different parts of the Welsh public sector.

36 In order to safeguard against any potential threats to auditor independence and objectivity, the Wales Audit Office and the Council have agreed the following safeguards:

- secondees will not perform duties prohibited by the FRC's Revised Ethical Standard 2016 and will not be able to exercise discretionary authority to commit the Council to a particular position or accounting treatment;
- the secondees will undertake tasks at a relatively junior level, will be properly supervised and will not undertake a management role or be involved in the decision taking of the Council; and
- the secondment will be for a short period of time within the meaning of the FRC's Revised Ethical Standard 2016. On their return to the WAO, the secondees will not be involved in the audit of the Council's accounts.

Timetable

37 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 9](#).

Exhibit 9: timetable

Planned output	Work undertaken	Report finalised
2017 Audit Plan	January/February 2017	March 2017
Financial accounts work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements • Financial Accounts Memorandum 	February – September 2017	September 2017 September 2017 October 2017
Performance work: <ul style="list-style-type: none"> • Improvement Plan Audit • Assessment of Performance Audit • Service user perspective review • Local risk based work 	March-April 2017 November 2017 To be confirmed To be confirmed	April 2017 December 2017 To be confirmed To be confirmed
Annual Improvement Report	April 2017 – May 2018	June 2018
2018 Audit Plan	January – February 2018	March 2018
WFG: baseline assessment	TBA	N/A
WFG Scrutiny review	To be confirmed	To be confirmed

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

Future developments to my audit work

Well-being of Future Generations (Wales) Act 2015

38 The Well-being of Future Generations (Wales) Act 2015 (the Act) became law in April 2015. The Act requires me to report before the next National Assembly election on how public bodies are acting in accordance with the sustainable development principle when setting their well-being objectives and taking steps to meet them. In 2017 I will conduct my first work under the Act – the Year One Commentary – to understand how bodies are beginning to respond to the requirements. I will also work collaboratively with a small number of public bodies, including the central government sector, to develop an audit approach that is meaningful and proportionate and can be adopted in subsequent years.

Other

- 39 Details of other future developments including changes to key IFRS and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out in [Appendix 5](#).
- 40 The Wales Audit Office's GPX programme seeks to support the improvement of public services across Wales by identifying and sharing good practice. The GPX seminars bring a range of public sector bodies together to share their practical experiences and learning in areas we consider would benefit from sharing good practice. The seminars are provided free of charge to delegates. Forthcoming events include:
- the challenges posed by indirectly provided, publicly funded services in Wales;
 - how you manage risk around organisation change, service transformation and innovation; and
 - measuring outcomes: who's doing it and how (linked to Well-Being of Future Generations Act)..

Appendix 1

Respective responsibilities

Audit of accounts

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 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 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 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 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 Public Audit (Wales) Act 2004 requires auditors, by examination of the accounts or otherwise, to satisfy himself that the body has made proper arrangements for:

- securing economy, efficiency and effectiveness in its use of resources; and
- that the body, if required to publish information in pursuance of a direction under section 47 (performance information) has made such arrangements for collecting and recording the information and for publishing it as are required for the performance of its duties under that section.

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. The Auditor General must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

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

Appendix 2

Summary of grant claim certification work

Exhibit 10: summary of grant claim certification work

Name of scheme	Period of scheme	Total/annual expenditure	Significant issues identified in 2014-15
Housing Benefit Subsidy	2015-16	£152,847,125	<p>No significant issues identified</p> <p>We qualified the subsidy claim and also identified a small number of isolated errors that required adjustment.</p> <p>The qualification letter identified underpayments of £131; as there is no eligibility to subsidy for benefit which has not been paid, subsidy claimed is therefore correct despite the benefit being underpaid.</p> <p>A small number of isolated errors in processing claims were identified, with a value of £2,402, which affected eligibility to subsidy and were adjusted for.</p>
21st Century Schools	2015-16	£9,064,187	<p>No significant issues identified</p> <ul style="list-style-type: none"> Amendments were required to the claim form to correct errors made in completing it, but with no impact on the value of the final grant claimed.
Flying Start – Revenue	2015-16	£9,701,780	No issues identified.
Flying Start – Capital	2015-16	£346,195	No significant issues identified. The claim was certified without amendment or qualification. Minor issues arose on procedures to deliver the claim for

Name of scheme	Period of scheme	Total/annual expenditure	Significant issues identified in 2014-15
			audit and with receiving timely responses on audit queries.
Families First	2015-16	£5,392,922	No significant issues identified, The claim was amended by £19,859 to specifically remove accrued expenditure claimed on behalf of a third party partner which had not been incurred within the year of account. <ul style="list-style-type: none"> Minor issue noted with the claim not being signed by the appropriate officer holding delegated authority to act as Chief Financial Officer.
Substance Misuse Action Fund	2015-16	£3,646,679	No significant issues identified. <ul style="list-style-type: none"> Minor issue noted with the initial claim submitted for audit was a photocopy rather than the original and as such could not bear the original signature of the Chief Financial Officer's delegate.
Non domestic Rates Final Contribution	2015-16	£189,824,387	No significant issues identified. <ul style="list-style-type: none"> Minor amendments were made to the return to ensure it was completed in full, in accordance with completion instructions.
Teachers' Pensions Return	2015-16	£28,106,889	No issues identified.
Communities First – Cardiff East Cluster	2015-16	£699,355	No significant issues identified. This claim was certified without qualification or amendment. However, there were unadjusted errors that were, in total, below the Welsh Government's £10,000 threshold for amendment.

Name of scheme	Period of scheme	Total/annual expenditure	Significant issues identified in 2014-15
			<p>These errors related to:</p> <ul style="list-style-type: none"> • inadequate documentation available from the third party cluster management; • failure to recognise prepayments made; and • over-estimation of the audit fee included in the central management recharge, as auditor time and fees incurred in the 2015-16 audit were less than the 2014-15 audit which the estimate was based on. This applied to all 4 Communities First claims.
Communities First – Cardiff West Cluster	2015-16	£781,253	<p>No significant issues identified.</p> <p>This claim was certified without qualification or amendment. However, there were unadjusted errors that were, in total, below the Welsh Government's £10,000 threshold for amendment.</p> <p>These errors related to:</p> <ul style="list-style-type: none"> • duplication of expenditure claimed in 2014-15; • failure to recognise prepayments made; and • over-estimation of the audit fee included in the central management recharge, as noted on the Cardiff East Cluster above.
Communities First – BRG Cluster	2015-16	£681,793	<p>This claim was certified after an amendment and subject to a qualification letter.</p> <p>The amendment, to correct the apportionment of insurance costs, reduced the claim by £720.</p> <p>We qualified the claim because a third party partner organisation was unable to provide adequate</p>

Name of scheme	Period of scheme	Total/annual expenditure	Significant issues identified in 2014-15
			<p>documentation to evidence the accuracy and completeness of £20,215 of employer pension contribution costs claimed.</p> <ul style="list-style-type: none"> There was also an unadjusted error below the Welsh Government's £10,000 threshold for amendment. This error related to over-estimation of the audit fee included in the central management recharge, as noted on the Cardiff East Cluster above.
Communities First – STAR Cluster	2015-16	£758,759	<p>No significant issues identified.</p> <ul style="list-style-type: none"> This claim was certified without qualification or amendment. However, there was an unadjusted error below the Welsh Government's £10,000 threshold for amendment. This error related to over-estimation of the audit fee included in the central management recharge, as noted on the Cardiff East Cluster above.
Social Care Workforce Development	2015-16	£753,389	No issues identified.
Local Transport Fund	2015-16	£958,000	<p>No significant issues identified.</p> <ul style="list-style-type: none"> The claim was certified without amendment or qualification. Minor issues noted regarding adherence to the agreed processes in the Joint Working Protocol to document the review of the claim and supporting working paper file prior to submission for audit, and provision of all information required in the

Name of scheme	Period of scheme	Total/annual expenditure	Significant issues identified in 2014-15
			checklist used to collate the working paper file.
Free Concessionary Travel by Elderly and Disabled People on Local Bus Services in Wales	2015-16	£10,673,622	<p>No significant issues identified regarding the claim. However, there was an unadjusted error that was, in total, below the Welsh Government's £10,000 threshold for amendment. One bus operator had under-claimed eligible expenditure relating to the 2015-16 period and instead this had been claimed and reimbursed in the present 2016-17 financial year, and will be included in the 2016-17 annual return despite not relating to that financial year.</p> <p>In addition:</p> <ul style="list-style-type: none"> • A separate report was made to Welsh Government on the percentage of concessionary journeys data collected by the installation and use of Smartcards by bus operators, stating no explanations were provided by those operators not reaching the Welsh Government's 98% target for Smartcard use. • A separate report was made to Welsh Government on the monitoring of ISAM asset management reports during the 2015-16 financial year. As monitoring began in the 2016-17 financial year, we reported that fact.

Appendix 3

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

Exhibit 11: performance work in last year's audit outline still in progress

Performance audit project	Status	Comment
Financial Resilience	Final report due to be issued March 2017.	Councils are continuing to deal with austerity and an uncertain future. This review will seek to provide assurance that arrangements are focused on maintaining resilience over the medium to long term.
Governance	Final report due to be issued March 2017.	This review will provide councils with a baseline from which to plan improvements to governance following the introduction of CIPFA's revised framework and the requirement for councils to adopt the sustainable development principle from April 2016.
Transformation	Scoping.	This baseline review will examine how councils are approaching transformation
Review of the Councils arrangements for demonstrating it is addressing the recommendation and proposal for improvement in the Corporate Assessment follow-on report.	To be included in Annual Improvement Report, June 2017 Presentation issued December 2016 Output originally due to be issued January 2017. Fieldwork now scheduled for February 2017.	Review of Council's monitoring of progress against Asset Management PFI Data Quality Review Review of the Council's monitoring and management of performance PFI

Performance audit project	Status	Comment
	Fieldwork scheduled for February 2017. Output to be issued April 2017	Review of Council's monitoring of progress against Governance PFIs
	To be included in Annual Improvement Report, June 2017	Review of the Council's progress in monitoring actions in relation to Corporate Enablers PFIs
	To be included in Annual Improvement Report, June 2017	Review of the Council's progress in monitoring actions in relation to Leadership and Management PFI
	To be included in Annual Improvement Report, June 2017	Review of the Council's assessment of year end performance and outcomes for 2016-17
Annual Improvement Report (AIR)	Scheduled for June 2017	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'

Appendix 4

National value-for-money studies

The 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 supported by funds approved by the National Assembly. Reports are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure and potentially support scrutiny by other National Assembly committees.

Exhibit 12 covers all of the value-for-money studies work currently programmed.

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. In addition to the work outlined below, I may decide during the year to prepare other national reports summarising local audit work or based on the findings of reactive examinations.

I am also currently consulting with the Public Accounts Committee and other stakeholders about the inclusion in my programme of a number of new value-for-money studies to be rolled out during 2017-18. For example, I have already indicated to the committee that, following my July 2016 report on the Welsh Government's funding of Kancoat Ltd, I am considering a broader examination of the Welsh Government's support for business.

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

Exhibit 12: national value-for-money studies

Topic	Anticipated publication (as at 3 January 2017)
Outpatient Follow-up Appointments	February 2017
Governance and Oversight of Arms-Length Bodies (discussion paper)	February 2017
Welsh Government Oversight of Further Education Institutions' Finances and Delivery	March 2017
Circuit of Wales	April 2017
Emergency ambulance services commissioning	February 2017
21st Century Schools and Education Programme	Mayh 2017
Public Procurement Landscape Review	April to July 2017
Waste Management (waste prevention)	April to July 2017
Waste Management (municipal recycling) ²	April to July 2017

² In addition to the work on waste prevention and municipal recycling, I will be taking forward a review of waste treatment infrastructure in early 2017.

Topic	Anticipated publication (as at 3 January 2017)
Implementation of the NHS Finances (Wales) Act 2014 (integrated medium-term planning)	April to July 2017
Supporting People programme	April to July 2017
NHS Wales informatics services	April to July 2017
Access to public services with the support of specialist interpretation and translation	August to October 2017
Preparations for the implementation of fiscal devolution in Wales (follow-on report)	August to October 2017
Early intervention and behaviour change	TBC ³

³ My programme of good practice work has included a project exploring behaviour change work across Welsh public services and opportunities to improve practice, deliver better outcomes for citizens, and achieve better value for money. I still anticipate that the information and evidence gathered through this work will support the production of a report on this topic, although this is unlikely to be a traditional audit report and plans for its production are still to be confirmed.

Appendix 5

Other future developments

Forthcoming key IFRS changes

Exhibit 13: forthcoming key IFRS changes

Standard	Effective date	Further details
IFRS 9 Financial instruments	2018-19	IFRS 9 financial instruments will replace IAS 39 and includes a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on an expected losses rather than incurred losses. This will result in earlier and more timely recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS 39.
IFRS 15 Revenue from contracts with customers	2018-19	IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.
IFRS 16 Leases	2019-20	IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals. This is a significant change in lessee accounting.

Good Practice Exchange

The Wales Audit Office's GPX helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face-to-face and resources shared online.

The focus of GPX events include financial management, public sector staff and governance.

Further information, including details of forthcoming GPX events and outputs from past seminars, can be found on the [GPX section of the Wales Audit Office website](#).

Registration for all events will open two months prior to the event.

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2017 Audit Plan – Cardiff and Vale of Glamorgan Pension Fund

Audit year: 2016-17

Date issued: May 2017

Document reference: 262A2017

This document has been prepared for the internal use of Cardiff and Vale of Glamorgan Pension Fund as part of work performed/to be performed in accordance with statutory functions.

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In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, the Wales Audit Office and, where applicable, the appointed auditor are relevant third parties.

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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2017 Audit Plan

Summary

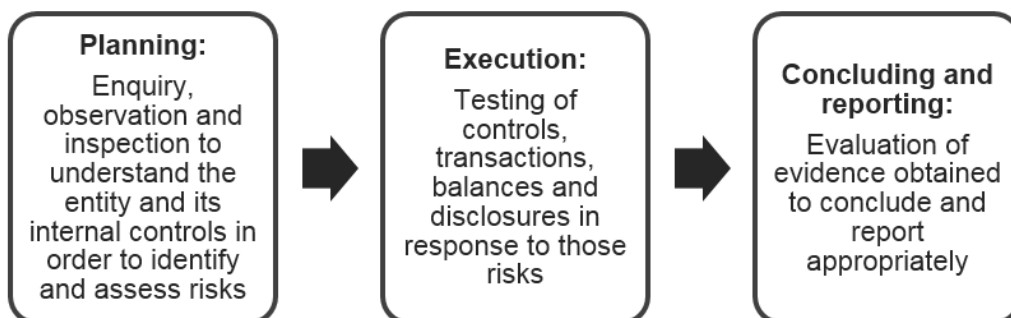
- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Code of Audit Practice to examine and certify whether Cardiff and Vale of Glamorgan Pension Fund (the Pension Fund) accounting statements are 'true and fair'.
- 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](#).

Audit of Pension Fund accounts

- 5 It is my responsibility to issue a report on the accounting statements which includes an opinion on their 'truth and fairness'. This provides assurance that the accounts:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.

[Appendix 1](#) sets out my responsibilities in full.
- 6 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows us to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the Pension Fund accounts as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: my audit approach



- 7 The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, 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>Management Override</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 [ISA 240.31-33].</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.
<p>Fraud</p> <p>There is a risk of material misstatement due to fraud in revenue recognition and as such is treated as a significant risk [ISA 240.26-27]. Our assessment of the Pension Fund's income sources indicates that this could apply to investment income.</p>	<p>My audit team will review investment income transactions, reviewing specifically for potential material fraud.</p>
<p>All Wales Investment Pool</p> <p>The 8 Pension funds in Wales are setting up a formal All Wales Investment Pool which will be overseen by a Joint Governance Committee. In 2016-17 arrangements were overseen by an Interim Joint Chairs Group. No pooling of funds has taken place yet, however some joint investment decisions were made and a material movement in the Asset allocation occurred in the year. There is a risk of material misstatement due to the new and interim arrangements in place at the time.</p>	<p>My audit team will review the assets of the fund, and any material movements in year. They will also review the interim arrangements in place within the reporting period.</p>
<p>I-connect system</p> <p>We are aware of a new ICT system 'i-connect' which will be used to transfer data from the Pension Payroll into Altair (the pensions system). This was due to be completed in 2016-17 but as a result of ongoing testing it is due to be implemented from April 2017. The development of the system and any impact on 2016-17 found as a result of testing will need to be considered.</p>	<p>My audit team will gain an understanding of the system, the various testing strategies that have been carried out in the reporting period and assess any impact this may have had on the preparation of the accounts.</p>

- 8 I do not seek to obtain absolute assurance that the Pension Fund accounting statements are true and fair, 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 levels at which I judge such misstatements to be material will be reported to the Audit Committee, and to those charged with governance for City of Cardiff Council (the Council), as the administering authority of the Pension Fund as a whole, prior to completion of the audit.
- 9 For reporting purposes, I will generally treat any misstatements below a trivial level (set at 5% of materiality) as not requiring consideration by those charged with governance and therefore I will not report them.
- 10 My fees are based on the following assumptions
- information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver my audit in an efficient manner;
 - all appropriate officials will be available during the audit;
 - 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.

Pension Fund annual report

- 11 In addition to including the pension fund accounts in their main accounting statements, administering authorities are required to publish a pension fund annual report which must include the pension fund accounts.
- 12 I am required to read the Pension Fund annual report and consider whether the information it contains is consistent with the audited Pension Fund accounts included in the Council's main accounting statements.
- 13 I also issue an audit statement confirming the consistency of the accounts included in the annual report with the audited Pension Fund accounts.

Fee, audit team and timetable

Fee

- 14 The Wales Audit Office does not generate profits on fees. Legislation requires that the fees charged may not exceed the full cost of exercising the function to which the fee relates. The fee rates are set at a level to recover that full cost. My fee rates have been held static for 2017 and my audit teams will continue to look for efficiencies in their audits and welcome working with you constructively on this.
- 15 Your estimated fee for 2017 is set out in **Exhibit 3**. This figure represents a £479 (2%) increase compared to the fee set out in the 2016 annual audit outline.

Exhibit 3: audit fee

Audit area	Proposed fee for 2017 (£)	Actual fee for 2016 (£)
Audit of pension fund accounts ¹	32,256	31,777

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

- 16 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 Director of Finance.
- 17 Further information on my [fee scales and fee setting](#) can be found on the Wales Audit Office website.

Audit team

- 18 The main members of my team, together with their contact details, are summarised in **Exhibit 4**.

Exhibit 4: my team

Name	Role	Contact number	E-mail address
Ann-Marie Harkin	Engagement Lead – Financial Audit	02920 320652 / 07967 321350	ann-marie@audit.wales
Matthew Coe	Financial Audit Manager	02920 320626	matthew.coe@audit.wales
Tony Era	Financial Audit Team Leader	02920 872258	tony.era@audit.wales

19 I can confirm that my team members are all independent of the Pension Fund and its officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Staff secondment

20 A trainee accountant employed by the Wales Audit Office has been seconded to the Council for the period 13 December 2016 to 28 April 2017. This secondment is part of an initiative funded by the Welsh Consolidated Fund designed to allow trainee accountants to broaden their skills and to gain experience of working across different parts of the Welsh public sector.

21 In order to safeguard against any potential threats to auditor independence and objectivity, the Wales Audit Office and the Council have agreed the following safeguards:

- secondees will not perform duties prohibited by the FRC's Revised Ethical Standard 2016 and will not be able to exercise discretionary authority to commit the Council to a particular position or accounting treatment;
- the secondees will undertake tasks at a relatively junior level, will be properly supervised and will not undertake a management role or be involved in the decision taking of the Council; and
- the secondment will be for a short period of time within the meaning of the FRC's Revised Ethical Standard 2016.

Timetable

22 I will provide reports, or other outputs as agreed, to the Pension Investment Advisory Panel and Audit Committee and where necessary to the Council, covering the areas of work identified in this document. My key milestones are set out in [Exhibit 5](#).

Exhibit 5: timetable

Planned output	Work undertaken	Report finalised
2017 Audit Plan	November 2016 to February 2017	March 2017
Financial accounts work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements 	February to September 2017	September 2017
2018 Audit Plan	November 2017 to February 2018	March 2018

Future developments

Well-being of Future Generations (Wales) Act 2015

- 23 The Well-being of Future Generations (Wales) Act 2015 (the Act) became law in April 2015. The Act requires me to report before the next National Assembly election on how public bodies are acting in accordance with the sustainable development principle when setting their well-being objectives and taking steps to meet them. In 2017 I will conduct my first work under the Act – the Year One Commentary – to understand how bodies are beginning to respond to the requirements. I will also work collaboratively with a small number of public bodies, including the central government sector, to develop an audit approach that is meaningful and proportionate and can be adopted in subsequent years.

Other

- 24 Details of other future developments including general changes to key IFRS that may or may not affect the Pension Fund, and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out for information in [Appendix 2](#).
- 25 The Wales Audit Office's GPX programme seeks to support the improvement of public services across Wales by identifying and sharing good practice. The GPX seminars bring a range of public sector bodies together to share their practical experiences and learning in areas we consider would benefit from sharing good practice. The seminars are provided free of charge to delegates.

Appendix 1

Respective responsibilities

The Council is the administering authority of the Pension Fund. This Audit Plan has been prepared to meet the requirements of auditing standards and proper audit practices. It provides the Council with an outline of the financial audit work required for the Pension Fund accounts.

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 Pension Fund accounting 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.

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 authority 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.

Appendix 2

Other future developments

Forthcoming IFRS changes

Exhibit 6: forthcoming IFRS changes

Standard	Effective date	Further details
IFRS 9 financial instruments	2018-19	IFRS 9 financial instruments will replace IAS 39 and includes a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on expected losses rather than incurred losses. This will result in earlier and timelier recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS 39.
IFRS 15 revenue from contracts with customers	2018-19	IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.
IFRS 16 leases	2019-20	IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on balance sheet as an asset based on a right of use principle with a corresponding liability for future rentals. This is a significant change in lessee accounting.

Good Practice Exchange

The Wales Audit Office's GPX helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face-to-face and resources shared online.

The focus of GPX events include financial management, public sector staff and governance. Further information, including details of forthcoming GPX events and outputs from past seminars, can be found on the [GPX section of the Wales Audit Office website](#).

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**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**

AUDIT COMMITTEE: 20 JUNE 2017

MANAGEMENT RESPONSE TO WAO REPORTS ON SAVINGS PLANNING

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 9.1

Reason for this Report

1. To present to the Audit Committee the Wales Audit Office (WAO) Report on Cardiff Council in respect to Savings Planning and consider the management response to proposals for improvement.

Background

2. During 2015/16 the Wales Audit Office undertook work at all councils to assess the adequacy of their financial planning, control and governance arrangements. Local reports were issued and a national summary report published in August 2016. The report for Cardiff concluded that the Council had improved its arrangements for financial planning and had sound financial control and governance arrangements, but needed to develop robust plans to support the timely delivery of its savings proposals.
3. A further review was planned for Autumn 2016 which focussed on answering the following question: Do the council's financial savings planning arrangements support financial resilience?
4. This work was carried out in Autumn 2016 in order to determine what the Council did as a consequence of what it learnt and how it has responded to the proposals for improvement in relation to developing robust plans to support the timely delivery of savings proposals. In addition, a sample of three 2016/17 savings proposals was undertaken in order to look at the adequacy of delivery mechanisms in place.
5. Having conducted the follow up work, the conclusion from WAO is that the Council has a transparent and effective savings planning approach which supports financial resilience. This is noted to be an improved position from 2015-16. The full report can be found in Appendix A.
6. The report contained three proposals for improvement which are set out below:

P1 Strengthen financial planning arrangements by:

 - Ensuring that all savings proposals are fully developed prior to the start of the year, with realistic timescales when the annual budget is set;
 - Developing an Income Generation / Charging Policy;
 - Continuing to develop links between the Organisational Development Plan and annual savings.
7. The Auditor General for Wales concluded that the Council has strengthened links between the Organisation Development Plan and savings proposals are improving but further work is required. In addition, the Council has also strengthened the link between the MTFP and its service plans but some savings proposals continue to be under-developed when the budget is set.

City of Cardiff Council Response

8. Members of the Audit Committee will be aware of the significant challenges that the Council faces in terms of budget reductions at a time of increasing demand for services.
9. The specific proposals arising from the WAO Report have been reviewed and accepted in principle with the suggested actions identified with the detailed response set out in Appendix B.
10. Preparatory work has already commenced in respect to the 2018/19 Budget Strategy with directorates working on developing robust budget proposals with appropriate milestones and actions required in order to provide an informed view on how the budget saving will be delivered and any risks. The work has looked to build on the previous governance arrangements as well as working closely with the work on reviewing the focus of the Organisational Development Plan.
11. Whilst there is no corporate income generation / charging policy, some directorates have begun to develop their own set of principles and drivers for change. There is a need to ensure that any corporate policy does not undermine the objectives of each directorate whilst retaining at its heart a strategic alignment across all directorates. It is proposed that the income generation / charging policy will focus on the main areas of income into the Council whilst being mindful of any significant income activity in other Councils.
12. It is also worth noting that the ability to increase income contains an element of risk. A good example of this is the decision made to contract with GLL to run the leisure centres, thus any income generation / charging policy needs to consider the delivery model of a service as well as the fee / charging structure.
13. In November 2016, WAO published a study titled Charging for Services and Generating Income by Local Authorities. This item is scheduled for the Audit Committee meeting of September 2017.

Reason for Report

14. To present the Auditor General's findings and set out the process for providing assurance that the Council is having due regard to the output of regulatory activity.

Legal Implications

15. There are no legal implications directly arising from this report.

Financial Implications

16. There are no financial implications directly arising from this report.

RECOMMENDATIONS

17. To note the work of the Auditor General in respect to Savings Planning and the management response to proposals for improvement.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
20th June 2017

The following appendix is attached

Appendix A: Wales Audit Office (WAO) Savings Planning – City of Cardiff Council
Appendix B: Management Response Cardiff Council Savings Planning



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Savings Planning – **City of Cardiff Council**

Audit year: 2016-17

Date issued: March 2017

Document reference: 661A2016

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at info.officer@audit.wales.

The team who delivered the work was Chris Pugh, Janet Smith and Jeremy Evans, under the direction of Alan Morris

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The Council forecasts it will achieve 80% of its 2016-17 planned savings and has contingencies in place to mitigate insufficiently developed plans 12

Summary report

Summary

- 1 Good financial management is essential for the effective stewardship of public money and the continual delivery of efficient public services. The current financial climate and the reduced settlements for local government mean that good financial planning, with well-considered savings plans, is critical to financial resilience.
- 2 This review focuses on answering the following question: **Do the council's financial savings planning arrangements support financial resilience?**
- 3 Good financial planning:
 - helps councils take the right decisions for the short, medium and long term;
 - helps councils deliver services to meet statutory obligations and the needs of local communities;
 - is essential for good corporate governance;
 - is about managing performance and achieving strategic objectives as much as it is about managing money;
 - underpins service quality and improvement;
 - is the basis of accountability to stakeholders for the stewardship and use of resources; and
 - is a key management discipline.
- 4 Financial planning for the medium to long term involves understanding future demand, assessing the impact of probable changes, reviewing the gaps between funding needs and possible income and, where necessary, developing appropriate savings strategies.
- 5 A council's strategic priorities and its financial health should be the basis for deciding what is practicable. Well-considered and detailed long-term financial strategies and Medium-Term Financial Plans can ensure the delivery of strategic priorities by enabling appropriate financial choices. Conversely, short-term annual budget planning encourages an incremental and process-driven approach that is too inflexible in a period of rapid external change.
- 6 Councils receive about 80% of their net income from Welsh Government, the exact amount is only known 4-5 months before the start of the financial year. Whilst this has an impact on financial planning councils can use a range of information to anticipate changing circumstances, set priorities, make choices and manage service delivery. They can calculate how much they would need to deliver services (at current or future prices) and review alternative income and spending scenarios to identify gaps and prepare for the future by investigating different approaches.

- 7 During 2015-16 the Wales Audit Office undertook work at all councils to assess the adequacy of their financial planning, control and governance arrangements. Local reports were issued and a national summary report published in August 2016. The national summary report concluded that **strategic planning arrangements are improving but councils have difficulty in developing and delivering the savings and changes to services at the pace required to ensure future financial resilience.**
- 8 In this assessment, undertaken during the period June to September 2016, we have focused on work to identify, plan for and deliver savings. We examined the extent to which Cardiff City Council (the Council) achieved its 2015-16 savings plans, the quality of its medium term financial plans and the robustness of its 2016-17 savings plans.
- 9 We sampled three savings proposals for 2016-17 and looked at the underlying assumptions and whether there are adequate mechanisms to ensure they can be delivered in the planned timescale.
- 10 We followed up our 2015-16 work to determine what the Council did as a consequence of what it learnt and how it has responded to our proposals for improvement in relation to financial planning if we made any.
- 11 In this report we have described some key characteristics of effective financial planning – **What good looks like**. Auditors have used these and other factors to reach a balanced view on the effectiveness of a council's financial planning arrangements and to evaluate the ability of a council to deliver its Medium-Term Financial Plan (MTFP) and planned savings.
- 12 In our 2015-16 review we concluded that **the Council had improved its arrangements for financial planning and has sound financial control and governance arrangements, but needed to develop robust plans to support the timely delivery of its savings proposals.**
- 13 In this review we concluded that **the Council has a transparent and effective savings planning approach which supports financial resilience.**
- 14 **This is an improved position from 2015-16, but there are further improvements required** – the Council has strengthened links between its Organisational Development Programme and savings proposals are improving, but further work is required to fully align the two. The Council has also strengthened the links between its MTFP and its service plans. However, some savings proposals continue to be under developed when the budget is set.

Proposals for improvement

Exhibit 1: proposals for improvement

It would be unusual if we did not find things that can be improved and, where we do, The Auditor General can take a variety of steps. In this case a proposal for improvement has been made and we would expect the Council to do something about it.

Proposals for improvement

- P1 Strengthen financial planning arrangements by:
- ensuring that all savings proposals are fully developed prior to the start of the year with realistic timescales when the annual budget is set;
 - developing an Income Generation/Charging Policy; and
 - continuing to develop links between the Organisational Development Plan and annual savings.

Detailed report

The Council has a transparent and effective savings planning approach which supports financial resilience

Context

- 15 Since 2010, the UK government has reduced spending on public services as part of its plan to reduce the deficit. With cuts to its budget, the Welsh Government has had to make difficult choices as to how to allocate those funding cuts across devolved public services. As a result, the amount of core funding made available by the Welsh Government to local councils has reduced each year. So far, most local councils have managed to reduce expenditure and balance budgets, but the scale of annual reductions is likely to continue. Our analysis shows that between 2013-14 and 2016-17, there is a real-terms reduction of £483 million (10.9%) in this core funding¹.
- 16 The impact of the decision to leave the European Union may represent a threat to local councils and the wider public sector in Wales. In the immediate aftermath of the decision there was reaction across financial markets resulting in volatility in, for example, share prices, currency exchange rates, oil prices and bond yields, and the UK continues to face a great deal of uncertainty on top of significant questions regarding future economic and trading relationships with Europe. The Welsh Local Government Association (WLGA) has expressed concerns over the implications of the European Union referendum outcome, calling it a 'seismic change in UK public policy'² especially as local councils are collectively the largest employer in Wales and the deliverer of many important public services.

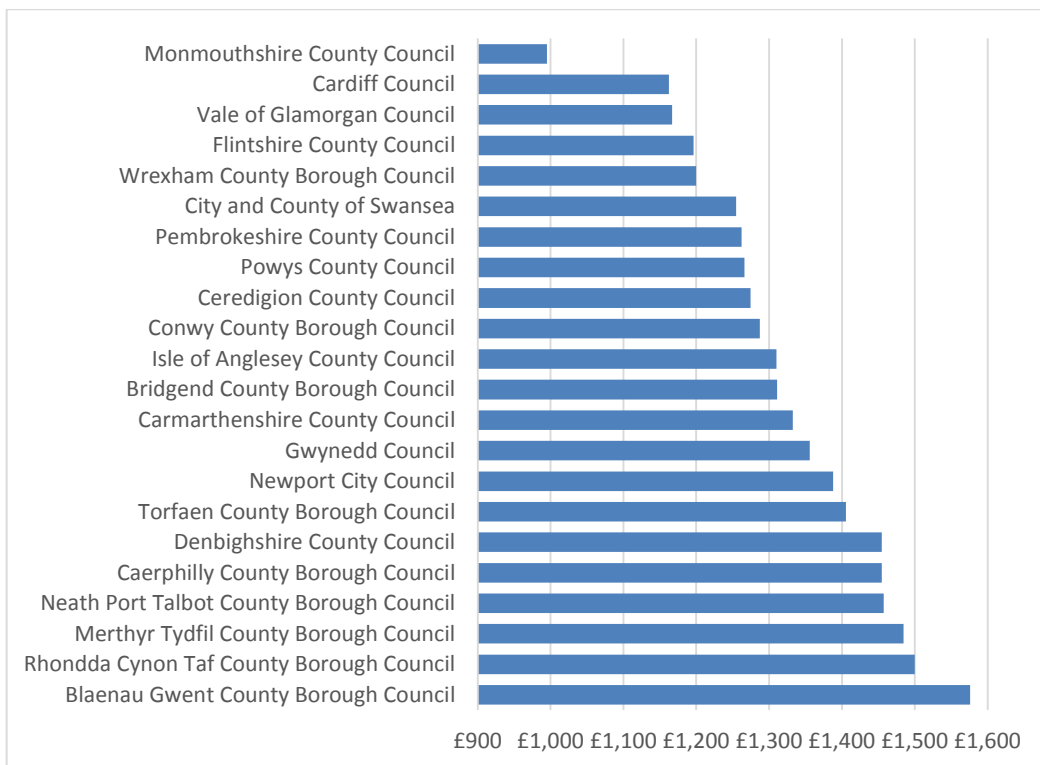
¹ Comparing core funding (Aggregate External Finance (AEF)) across the period 2013-14 to 2016-17 is complicated for two main reasons. Firstly, the Welsh Government has incorporated into core funding grants that were previously provided separately. While this 'de-hypothecation' of grants results in an increase in core funding, it is not necessarily a net increase in funding. The net value of grants incorporated into core funding since 2013-14 is around £76 million in real terms (adjusted for inflation).

² Welsh Local Government Association, **Councils voice concern over service impacts of EU referendum**, 24 June 2016

- 17 Whilst the overall Welsh Government funding has reduced, councils have been expected to protect schools and social care from the bulk of the pressures. Social care in particular has struggled even with this protection as, for example, demographic changes have led to increased demand. However, this does mean that other services have borne the majority of the cuts and have seen reductions in budgets of 30 percent or more in real terms since 2013-14.
- 18 The Council received £426.3 million in support from Welsh Government in 2016-17. This represents £1,162 per person in the county, below the average for Wales and a real-terms reduction of 7.2%³ per head since 2013-14. There are other key issues that impact on any councils overall financial position, for example the overall Council tax base, the ability to generate income locally and the levels of deprivation.

Exhibit 2: Welsh Government support in 2016-17

The graph below illustrates the amount of money each council gets per head of population from the Welsh Government.



Source: Stats Wales (www.statswales.gov.wales)

³ The percentage reduction per head figure varies from the 2013-14 core funding reduction due to population variation over the same period.

Savings achievement 2015-16

The Council has reported achievement of 80 % of its planned 2015-16 savings in year and can demonstrate that individual savings have been achieved

What good looks like

19 Councils that have a good track record of delivering the majority of planned in-year savings should have well developed savings and delivery plans in place which are underpinned by robust monitoring processes. These councils do not have to continually bridge the gap year on year, by identifying alternative savings, using unplanned one-off funding from earmarked reserves, general reserves, contingency funds or fortuitous unplanned income received during the year.

What we found

- 20 The Council achieved 80% of its 2015-16 planned savings of £32.473 million. The unachieved savings in respect of 2015-16 were mitigated by the Council's planned contingency provision and elsewhere in service's base budgets. The Council reviewed its savings plans at year end and determined which savings plans should be carried forward to future years.
- 21 The Council's budget report to Cabinet in February 2015 risk assessed its 2015-16 savings proposals in terms of both residual risk and achievability, and assigned a Red/Amber/Green (RAG) status as defined in the Council's Risk Management Policy, Strategy and Methodology document⁴. Of the total savings of £32.473 million in respect of 2015-16 the Council classified them as follows in terms of achievability:
- Red – £2.828 million
 - Red/Amber – £7.602 million
 - Amber/Green – £16.733 million
 - Green – £6.167 million
- 22 The Council's budget report to Cabinet in February 2015 also provided information on the planning stage of its proposals, on an overall basis. The savings were categorised as:
- General planning – £5.954 million
 - Detailed planning – £24.828 million
 - Realised – £1.691 million

⁴ Risk Management Policy, Strategy and Methodology

- 23 The Council achieved an overall surplus on its 2015-16 revenue budget of £1.686 million after contributions to and from earmarked reserves and the funding of voluntary severance costs.
- 24 The Council's planned budget strategy for 2015-16 included the use of £595,000 from general reserves and a base budget contingency provision of £4 million to mitigate the impact of savings proposals not being achieved as planned. The Council determined the value of its reserves and general contingency required on past experience and a risk assessment of the value and stage of development of its savings proposals.

Financial planning arrangements

The Council has effective financial planning arrangements

What good looks like

- 25 The MTFP is a key component of an effective, integrated corporate planning framework. Good medium-term financial planning and annual budgeting should reflect the council's strategic objectives and priorities for the year, and over the longer term. MTFPs typically span a three-to-five year period and should identify how resources will be allocated to both the delivery of services and the council's priorities. The impact on citizens and other stakeholders should also be considered.
- 26 Good MTFPs include consideration of key financial risks together with their mitigation. Councils have to make assumptions around inflation, income levels, demographics, future demand for services and the costs of delivering services, and these need to be based on reasonable predictions. The council should also use financial modelling to assess the likely impacts on financial plans and required savings for a range of different scenarios and risks. The MTFP should be frequently reviewed and updated to reflect changes in assumptions and risks.
- 27 Councils should operate within a level of reserves and balances (including earmarked reserves and the general fund balance), approved by Members, and appropriate to the strategic, operational and financial risks it faces. Councils should include details on how reserves will be used over the period of the MTFP.
- 28 The council must demonstrate that it understands its sources of income and the risks arising from these, and that it has reviewed its approach to fees and charges, for its services, to achieve value for money.

What we found

- 29 The Council's MTFP covers a rolling four year basis (currently 2016-17 to 2019-20). Planned and reactive refresh of the MTFP takes place during the year and updates are discussed with Cabinet Members and Senior Leadership team.

- 30 The Council's MTFP includes sensitivity analysis and is modelled on base, most likely and worst case scenarios. The 2017-18 to 2019-20 forecasts within the MTFP are based on a most likely case scenario of a reduction in revenue support of 1%. In addition, the Council's MTFP also sets out that it has in place a provision of £4 million within the base budget to mitigate a further 1% reduction in revenue support grant. The MTFP also reflects the impact of macro -economic and other key variables such as pay awards, price inflation, impact of demographic changes, increased demand on the cost of services and impact of interest rates on borrowing repayments.
- 31 The Council considers its MTFP at the weekly officer Budget Strategy Team meetings. The Council also provides a financial snapshot of key financial ratios which may impact the Council's financial resilience in its quarterly financial monitoring reports to Cabinet.
- 32 The Council's MTFP forecasts a net budget gap of £75.297 million for the period 2017-18 to 2019-20 and it states it will be met from a combination of directorate savings, council tax increase, addressable spend savings, a cap on schools growth and use of earmarked reserves.
- 33 The Council's strategy for holding and utilising reserves is set out in its Financial Procedure Rules and it reviews its usable reserves as part of its budget setting process. The Council's policy on reserves does not set out a definitive level of reserves. However, Members, following advice provided by the Section 151 Officer, consider both the level of reserves held and whether any amounts should be used to support the budget setting process each year.
- 34 The Council holds a working balance in its general reserve of £15.255 million. The Council plans to use £2 million of the general reserve to support the 2016-17 budget but it does not plan any further use of the general reserve beyond this date. The Council also forecasts the use of £4.5 million of earmarked reserves to support the budget for the period 2017-18 to 2019-20.
- 35 The Council does not have a corporate income generation/charging policy, but the annual budget report includes a comprehensive schedule of fees and charges including any proposed changes for the following financial year. The Council has identified income and charging as a key delivery strand within its savings proposals. As part of the Organisational Development Programme each directorate has been provided with guidance to inform the development of income generation/charging options which will form part of its income generation/charging delivery strand.
- 36 In our 2015-16 Financial Resilience Assessment we included a proposal for improvement stating that the Council should strengthen the links between its MTFP, its service plans and its improvement planning arrangements. During our 2016-17 Financial Resilience Review we identified that the Council has improved the links between its MTFP and its service plans. The Council's 2016-17 Directorate Delivery Plans include the directorate savings and provide appropriate narrative to support this.

- 37 The Council's Corporate Plan 2016-18 has a clear overall vision with key priorities and recognises that the implementation of strategic priorities and improvement objectives needs to be achievable within the resources for 2016-17 and set out in the Medium Term Financial Plan. The Council's MTFP is aligned with the Corporate Plan and other key strategies such as the Organisational Development Plan and workforce planning but the MTFP is not explicit that budgets are prioritised and no information is provided on the budget allocation for corporate priorities.

Savings Plan 2016-17

The Council forecasts it will achieve 80% of its 2016-17 planned savings and has contingencies in place to mitigate insufficiently developed plans

What good looks like

- 38 Councils that deliver savings effectively have well-considered savings plans that sit within longer-term savings strategies which are underpinned by well-developed fully costed individual savings and delivery plans aligned with the MTFP. Savings proposals should be specific and risk assessed in terms of likelihood of achievement.

What we found

- 39 The Council strengthened the process by which it developed its 2016-17 Budget Strategy by engaging in earlier and more collaborative target setting. The Council is improving the way it addresses future financial challenges through the more strategic and medium to longer term budget approach it is taking.
- 40 The Council carries out extensive consultation on its budget proposals with the public and other stakeholders. Equality Impact Assessments have been carried out for all proposals.
- 41 The Council's Organisational Development Plan is its transformation/change management plan and a key driver in reviewing the shape and scope of the organisation and the way in which it delivers services. The Organisational Development Plan is a three year programme which provides a model to implement fundamental changes needed to ensure services are sustainable. Savings targets which may result from the Organisational Development Plan are not included in the budget until business cases, underpinned by robust costings, have been fully developed.
- 42 In our 2015-16 Financial Resilience Assessment report we included a proposal for improvement stating that the Council should ensure that savings proposals owned by directorates should be linked to the Organisational Development Plan where

relevant and are fully costed and that delivery is driven by the Organisational Development Programme Board. The Council made a conscious decision in 2015-16 not to link projects and savings plans in the Organisational Development Plan. The primary aim of the Organisational Development Plan was, initially, to promote accountability and ownership for organisational change within services. However, the Council informed us that from 2016-17, as projects are developed, they will, where appropriate, be linked to savings plans.

- 43 Our 2016-17 review identified that while links between the Organisational Development Plan and savings proposals are improving, further work is required.
- 44 The Council approved total savings proposals for £28.835 million for 2016-17 in March 2016. The savings are detailed on a line by line basis and are accompanied by appropriate narrative.
- 45 In our 2015-16 Financial Resilience Assessment report we included a proposal for improvement stating that the Council should ensure that savings plans are fully developed and with realistic timescales, when the budget is set. In our 2016-17 Financial Resilience Review we have identified that the position remains unchanged and that not all savings proposals are fully developed with realistic timescales when the budget is set.
- 46 The Council risk assessed the achievability of its 2016-17 savings proposals using a Red/Amber/Green (RAG) rating when setting its annual budget in February 2016. Of the total savings approved for 2016-17, £2.740 million of savings were risk assessed as red in terms of achievability. The Council also classified £2.752 million of its 2016-17 savings as being at a general planning stage.
- 47 The Council monitors the achievement of its savings proposals as part of its quarterly budget monitoring to Cabinet. The Council's savings monitoring report includes a brief commentary on savings achieved, those likely to be achieved and those which will not be achieved. However, mitigation for non-achievable individual savings proposals is not specified in the monitoring reports.
- 48 The Council's quarter one monitoring report to Cabinet in September 2016 shows that directorate savings of £7.297 million had been achieved, along with £2.895 million of Council wide savings. The Council forecasts that £5.462 million of the 2016-17 savings (20%) are unlikely to be achieved. In the first instance services will be expected to identify compensating budget reductions or alternative savings to meet any shortfall. The Council will use its £4 million contingency fund to mitigate any remaining shortfall. The Council does not have contingency plans to support individual savings plans. The Council reviews its unachieved savings plans at year end and rolls forward to the following year those which are achievable.
- 49 The three savings proposals for 2016-17 we sampled, to test the underlying assumptions and whether there are adequate mechanisms to ensure they can be delivered in the planned timescale, were:
- youth services – £650,000;
 - arts venues – review of costs, income and service delivery in Arts Venues. £430,000; and

- new operating model for leisure centres: Council to progress a procurement exercise to see how a new operating model for leisure centres will be tested against in house provision - £850,000.

50 Of the three savings proposals we reviewed, we identified that the underpinning assumptions were realistic and they had detailed plans in place for delivery. However, two of the proposed savings could not be fully delivered in the planned timescales due to changes in the planned service delivery models and procurement approach Both of the savings that will not be delivered in 2016-17 had a risk rating of red against achievability when the Council agreed its budget in February 2016. These savings proposals will be rolled forward to 2017-18.

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Management Response

Item 9.1 – Appendix B

Local Authority: City of Cardiff Council

Report Title: Savings Planning

Issue Date: March 2017

Document Reference: 661A2016

Ref	Proposal for Improvement	Intended Outcome/Benefit	High Priority (yes/no)	Accepted (yes/no)	Management Response	Completion Date	Responsible Officer
P1	<p>Strengthen financial planning arrangements by:</p> <ul style="list-style-type: none"> Ensuring that all savings proposals are fully developed prior to the start of the year with realistic timescales when the annual budget is set; Developing an Income Generation/Charging Policy; and Continuing to develop links between the Organisational Development Plan and annual savings 	Strengthen savings planning arrangements	Yes	Yes	<p>Actions identified:</p> <ul style="list-style-type: none"> 2018/19 Budget Process has commenced with Directorates considering budget proposals and further emphasis given on timeline, milestones , details and an informed view of risk The formulation of budget proposals will result in a focus on key income streams of the Council and as a result of this scrutiny a policy on income generation and charging will arise. This policy will need to include those income streams which the council has decided to allow others to collect such as the procurement of a Leisure service provider. Currently , there is a review of the ODP which will have as its focus key service delivery changes which will have a financial focus thus allowing further alignment between the budget and ODP 	<p>Current</p> <p>October 2017</p>	<p>SMT (Christine Salter)</p> <p>Christine Salter</p>

Mae'r dudalen hon yn wag yn fwriadol

AUDIT COMMITTEE: 20 JUNE 2017

**MANAGEMENT RESPONSE TO WAO REPORT ON GOOD GOVERNANCE
WHEN DETERMINING SIGNIFICANT SERVICE CHANGES**

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 9.2

Reason for this Report

1. To present to the Audit Committee the Wales Audit Office (WAO) Report on Cardiff Council in respect to Good Governance when determining significant service changes and consider the management response to proposals for improvement.

Background

2. During 2016 the Wales Audit Office undertook work to assess the effectiveness of the Council's governance arrangements for determining significant service changes.
3. A further review was planned for Autumn 2016 which focussed on answering the following question: Do the Council's financial savings planning arrangements support financial resilience?
4. This work was carried out between September and November 2016 to inform an assessment of the Council's overall arrangements for developing and determining service changes. A sample of service changes were looked at and included the revised Waste Strategy, alternative delivery model for leisure centres, Cardiff International Sports Stadium, and arts venues respectively.
5. The Auditor General for Wales concluded that the Council has a clear framework for significant service change, supported by improving governance, but arrangements could be more consistently applied. The full report can be found in Appendix A.
6. The report contained two proposals for improvement which are set out below:
 - P1 The Council's governance arrangements could be strengthened by:
 - Ensuring information supporting service change proposals consistently includes options and clearly sets out the method of appraising the options
 - Explicitly setting out the arrangements for monitoring the impact of each service change.

City of Cardiff Council Response

7. Members of the Audit Committee will be aware of the significant challenges that the Council faces in terms of budget reductions at a time of increasing demand for services.
8. The specific proposals arising from the WAO Report have been reviewed and accepted in principle with the suggested actions identified with the detailed response set out in Appendix B.

Reason for Report

9. To present the Auditor General's findings and set out the process for providing assurance that the Council is having due regard to the output of regulatory activity.

Legal Implications

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

Financial Implications

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

RECOMMENDATIONS

12. To note the work of the Auditor General in respect to Good Governance when determining Significant Service Changes, and the management response to proposals for improvement.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
20th June 2017

The following appendices are attached:

Appendix A: Wales Audit Office (WAO) Good Governance when Determining Significant Service Changes – City of Cardiff Council

Appendix B: Management Response Cardiff Council – Good Governance when Determining Significant Service Changes



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Good Governance when Determining Significant Service Changes – **City of Cardiff Council**

Audit year: 2016-17

Date issued: March 2017

Document reference: 120A2017

This document has been prepared as part of work performed in accordance with statutory functions.

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The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

info.officer@audit.wales.

The team who delivered the work comprised Allison Rees, Ron Price and Non Jenkins under the direction of Jane Holownia.

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The Council has a clear framework for significant service change supported by improving governance, but arrangements could be more consistently applied.

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Summary report

Summary

- 1 Governance is about how public bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which public bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.¹
- 2 Good governance is essential for the effective stewardship of public money and the continued delivery of efficient and trusted public services. The current financial climate and reduced settlements for local government as well as rising demand for some services mean that all councils are likely to continue to need to make decisions regarding the future configuration and level of service delivery. It is appropriate that public bodies continuously seek to improve. Small, incremental changes to service delivery are made at a managerial and operational level as part of normal, operational decision making. However, good governance supported by effective planning and rigorous processes is critical when determining significant service changes. Such decisions are often controversial, generate considerable local interest and can have significant impacts on the individuals and groups affected.
- 3 From April 2016, councils are required to comply with the Well-being of Future Generations (Wales) Act (the WFG Act) and associated Statutory Guidance. The Statutory Guidance states that: 'Together, the seven well-being goals and five ways of working provided by the Act are designed to support and deliver a public service that meets the needs of the present without compromising the ability of future generations to meet their own needs'.² This legislation emphasises the importance of effective governance in achieving well-being goals.
- 4 The focus of this review is on the effectiveness of the City of Cardiff Council's (the Council) governance arrangements for determining significant service changes. We define this as any significant change in delivering services and/or any significant change in how services are experienced by external service users. This could include, for example, the way the service is delivered, the level of service provided, the availability of the service or the cost of the service.

¹ Source: **Delivering Good Governance definition: CIPFA/SOLACE Delivering Good Governance in Local Government: Framework 2007**

² Welsh Government, **Shared Purpose: Shared Future, Statutory guidance on the Well-being of Future Generations (Wales) Act 2015**

- 5 Taking the Chartered Institute of Public Finance and Accountancy's (CIPFA) revised framework for 'delivering good governance in local government' as an appropriate standard, this review provides the Council with a baseline, from which to plan further improvement. In this assessment, undertaken during the period September to November 2016, to inform our assessment of the Council's overall arrangement for developing and determining service changes we looked at aspects of decision-making arrangements in relation to a range of significant service change proposals. The examples of service changes we looked at included:
- revised Waste Strategy;
 - Alternative Delivery Model (ADM) for Cardiff International Sports Stadium (CISS);
 - ADM for leisure centres;
 - ADM for infrastructure services;
 - ADM for two arts venues; and
 - improved digitalisation of services and payments.
- 6 We did not look in detail at each of the individual service change decisions, but rather used them as examples to draw from and inform how the Council goes about making decisions in relation to service changes.
- 7 In this review, we concluded that **the Council has a clear framework for significant service change supported by improving governance, but arrangements could be more consistently applied.**

Proposals for improvement

Exhibit 1: proposals for improvement

The table below sets out the areas for improvement identified through our review.

Proposals for improvement	
The Council's governance arrangements could be strengthened by:	
P1	Ensuring information supporting service change proposals consistently includes options and clearly sets out the method of appraising the options.
P2	Explicitly setting out the arrangements for monitoring the impact of each service change.

Detailed report

The Council has a clear framework for significant service change supported by improving governance, but arrangements could be more consistently applied

The Council's Organisational Development Programme provides a clear framework to drive and shape significant cultural and service change

- 8 In May 2014, the Council established an Organisational Development Programme (ODP), 'designed to reshape the Council in response to a range of challenges, including the marked deterioration of the Council's financial position, demand-led pressures on services, and the inadequate performance of a number of statutory services'³.
- 9 The ODP is a rolling three-year programme, which provides the framework for the Council to drive and shape significant service changes, and take account of any cross-service issues. For example, the Council is seeking to be transformational in its use of digital technology to improve service efficiency as it is vital that any new systems are compatible across a range of Council services and departments.
- 10 The ODP is based on the following cooperative principles and high-level objectives:
 - widening opportunities for people and communities to shape services around their needs;
 - identifying delivery models to meet demand pressures and reflect budgetary realities;
 - identifying opportunities for further efficiency savings through better internal and external collaboration, integration of service delivery, and reducing duplication of effort and resources;
 - significantly strengthening performance management, workforce development and engagement arrangements; and
 - promoting openness through increased citizen engagement and information sharing, enabling transparent decision making and providing clearer opportunities for people to participate in decision-making processes.

³ Source: Cabinet Report, **An Update on the Organisational Development Programme**, 16 June 2016

- 11 Whilst the ODP is the key vehicle for driving and shaping transformational change within the Council, there are no formalised criteria to determine what service changes feature in the ODP. Senior officers indicated that there were adequate controls, scrutiny and challenge through its overarching ODP Board to ensure that key objectives and principles were considered without the need for separate criteria to determine which service changes are included in the ODP.
- 12 The ODP clearly links to the Council's Corporate Plan 2016-18. The Corporate Plan sets out the Council's ambition and key priorities. 'Working together to transform services' is one of its four corporate priorities. The Council has three improvement objectives to support this corporate priority, one of which focuses on the design, delivery and commissioning of certain council services which captures the work required to deliver the ODP.

Governance and accountability arrangements for significant service changes are clear and well-understood

- 13 The Council has established effective governance arrangements to support the ODP. This includes an ODP Board to oversee the management and monitoring of the programme. This board consists of the Senior Management Team (SMT). SMT meets weekly, with one meeting per month dedicated to reviewing progress of the ODP. The governance arrangements also include two programme boards to support the ODP Board, namely the Reshaping Services Board and the Enabling and Commissioning Board. Both meet monthly and oversee all the service change projects within the ODP and report progress to the ODP Board. There are ten portfolios spanning the two programme boards. Each portfolio contains a number of projects, which each have a project board, a project executive and project manager. At the time of this review in October 2016, there were approximately 45 individual projects within the ODP. Officers and members are clear on these governance arrangements.
- 14 The Council has also established an Investment Review Board (IRB) to consider and approve all programmes and projects for which there is a financial implication. The Investment Review Board receives updates on specific projects as and when required. For example, the IRB considered the options contained within the Council's Waste Strategy as any change to the size of the residual waste receptacle would require capital investment.
- 15 The Council has committed additional officer resource to support service change by creating a central ODP Team. The ODP Team consisted of 24 officers at the time of this review in October 2016. The ODP Team offers advice and support to those services implementing service changes. The identification, development and implementation of service change are the responsibility of service managers. The ODP Board provides strategic overview and direction, and informs the activities of the ODP Manager and wider ODP Team.

- 16 The ODP Board aims to ensure that service changes directed through the ODP are not delivered in isolation and the involvement of SMT as the ODP Board reduces this risk. The staff we interviewed noted the benefits of this arrangement. Each SMT member has an overview of all significant service changes across the Council and has the ability to identify crosscutting proposals at an early stage. The final decision on service change proposals is made by Cabinet.
- 17 Scrutiny is viewed as a valuable resource by officers and members in challenging both the progress of delivering the ODP and individual service change proposals. Relevant scrutiny committees receive reports on significant service change proposals for pre-decision scrutiny. This allows scrutiny committees to see the progression of service change options at differing stages. Scrutiny chairs are clear on their role in the governance arrangements.
- 18 Early dialogue between senior officers and Cabinet members occurs on service change proposals. The Cabinet also holds 'informal' cabinet meetings where emerging issues and strategies are discussed to establish and identify risks or opportunities early in the change process.
- 19 The Council's Monitoring Officer is a member of its SMT and attends the monthly ODP Board meetings. To ensure compliance with constitutional and legal requirements, reports to scrutiny, Cabinet and Council are routinely verified by the Monitoring Officer.
- 20 Our review found that officers and members understand their roles and responsibilities in relation to service change decision making. This was endorsed by the results of our survey of elected members and senior officers. Twenty-eight out of 30 senior officers who responded to our survey either strongly agreed or agreed that they understood their role and responsibility with regard to making decisions concerning service changes. Seventeen of the 18 elected members who responded also agreed or strongly agreed that they understood their role regarding service change decision making.

The Council has a process for appraising significant service change proposals; however, this is not being consistently applied

- 21 The range and number of options that the Council considers varies between the individual service areas under review for change. For service changes such as Alternative Delivery Model (ADM) for infrastructure services, ADM for leisure centres and the review of waste and recycling collections, there was a consideration of a number of options. However, the Council appeared to have only considered one option for the transfer of the Cardiff International Sports Stadium (CISS). For the 'improved digitalisation of services and payments', we were unable to identify whether any other options had been considered because there was no business case to support it.

- 22 For some significant service changes, such as the ADM for infrastructure services and leisure centres and for the Waste Strategy, members were provided with comprehensive information with which to scrutinise the proposal and make a decision. Responsible managers attended scrutiny and Cabinet on more than one occasion to provide updates on progress.
- 23 As service change proposals are developed, options are appraised and reduced in number. Scrutiny can challenge the service proposal as it develops and Cabinet receives updated reports for decisions. Service change reports to scrutiny and Cabinet are available on the Council's website. During our review fieldwork, members stated that the reports provided all the necessary information required in order to challenge and/or make decisions.
- 24 The Council has developed an evaluation methodology for ADM service changes. This methodology, and supporting scoring matrix, sets out the evaluation criteria and questions to be addressed by officers. Questions relate to risk, income opportunities, maintaining influence in decision making, flexibility to change service delivery in the future, and operational performance. The methodology provides a structured and consistent approach to assessing each ADM whilst ensuring the Council addresses key issues of finance, risk, control, and performance of each option.
- 25 The Council used this evaluation methodology to appraise the service change options for the ADMs for leisure centres and infrastructure services. The Council does not have corporate criteria to appraise those service changes which are not considered as alternative means of delivery.
- 26 The Council has an approach that if work is undertaken to develop a strategy, policy or activity that is likely to impact on people, communities or land use, there are a number of statutory requirements that need to be considered. Therefore, the Council designed a statutory screening tool to be completed and attached to Cabinet reports. The impact of the changes, paying due regard to sustainable development, is part of this statutory screening tool. Some service changes reviewed as part of this work have completed this statutory screening tool, but not all. Currently, the Council is reviewing and redesigning this screening tool into a 'liveable city tool', which will include the requirements of the WFG Act⁴.

⁴ The Well-being of Future Generations (Wales) Act is about improving the social, economic, environmental and cultural wellbeing of Wales. The Act requires prescribed public-sector bodies to act according to the sustainable development principle and sets out the following five ways of working that those bodies must consider in order to help support sustainable development: long term, prevention, integration, collaboration and involvement. Further information about the act is available on [The Wales We Want website](#).

- 27 There was a good level of understanding amongst senior officers and members about the WFG Act and the Public Sector Equality Act⁵. They were able to articulate how the sustainable development principles were helpful in considering longer-term issues around service change and ensuring that these were built into plans at an early stage.
- 28 The Council has completed equality impact assessments for most service change proposals considered as part of this review. 'An introduction to equalities' workshop is being planned as part of a member induction programme for May 2017 following the local government elections.
- 29 A register of committee and officer decisions is available on the Council website. Council, Cabinet, scrutiny and other committee papers are available online. Full Council meetings are webcast and the Council is currently piloting webcasting of scrutiny committee meetings.
- 30 All members receive e-mail notifications of all Cabinet decisions; however, the elected member survey identified that only 10 out of the 18 elected members who responded agreed or strongly agreed that it was easy to find key decisions. The response from senior officers was more positive with 22 out of the 30 senior officers who responded agreeing or strongly agreeing that they found it easy to find out key decisions. Therefore, despite the Council making improvements in publishing all decisions on the Council's website and e-mailing Cabinet decisions to all elected members, there may be a lack of awareness of the availability of this information.

The Council actively engages with stakeholders to inform decision making

- 31 Cardiff Debate is the Council's programme of community engagement and it is a fundamental feature of the ODP. It provides an ongoing conversation with citizens, communities and partners. The approach to consultation varies, from drop-in workshops, social media debates, online consultation and on-street engagement. The different methods of engagement deployed highlight the Council's commitment to elicit the greatest response and demonstrate a commitment to local engagement.

⁵ The Act aims to ensure public authorities and those carrying out a public function consider how they can positively contribute to a fairer society in their day-to-day activities through paying due regard to eliminating unlawful discrimination, advancing equality of opportunity and fostering good relations.

- 32 The Council also seeks views on residents' satisfaction with Council services through the annual Ask Cardiff survey. Questions concerning specific changes to services have been included in both Ask Cardiff and Cardiff Debate. For example, Cardiff Debate 2015 included questions on future delivery arrangements of the leisure centres, waste and recycling arrangements and infrastructure services with the results included in the final reports to Cabinet. The Council also conducts service-specific consultation. For example, the Council consulted community groups, waste teams, members, contractors and completed a random postal survey of 3,000 residents when reviewing its waste and recycling service.
- 33 Improving staff engagement and consultation is also one of the programmes within the ODP. The Council undertakes employee roadshows involving the Chief Executive and SMT and staff meetings with the Chief Executive as part of 'Have your Say' sessions. A staff Ambassador Network has been created. Additionally, the Council engages with trade unions on service change proposals that may affect staff, for example, ADM for leisure services and infrastructure services and the transfer of the CISS to Cardiff and Vale College.
- 34 In November 2016, the Council also launched a new 'staff app' to improve communication with staff. At the time of this review, the app had just been launched so we were unable to determine its effectiveness; however, the app provides another platform, which the Council could use to consult with staff on any future service or transformational change proposals.
- 35 All Council members had the opportunity to review and comment on the savings proposals for 2016-17, of which some related to service changes, via scrutiny meetings and political group meetings. The views from these meetings were contained within the papers for the Council meeting on 25 February 2016, at which the 2016-17 budget was approved.
- 36 Forward work programmes are in place for each of the Council's five scrutiny committees and Cabinet. Annually, each scrutiny committee receives a list of potential issues from officers to select to include in the forward work programmes. There is flexibility to this approach as each scrutiny meeting considers 'the way forward' for any agenda items discussed. This allows members to reshape the forward work programme to reflect any emerging issues.
- 37 Cabinet operates a three-month rolling work programme. The forward work programme is readily available in the Councillors' and Meetings section on the website; however, the scrutiny forward work programmes are not readily accessible to the public.

The Council routinely monitors its Organisational Development Programme, but evaluating the impact of individual service changes is less well-developed

- 38 The Council reviews and refreshes its ODP annually. Its Policy, Review and Performance Scrutiny (PRAP) committee and Cabinet receive the annual review. The Council conducted its latest review during April and May 2016. The PRAP Committee and Cabinet received a report on the outcome of this review in June 2016. 2016-17 is the final year of the current three-year ODP. The Council plans to commission an independent review of the ODP in 2017.
- 39 The monitoring arrangements, and what the Council needs to monitor to assess the impact of its service change decisions, are not always explicitly set out within reports or in business cases to scrutiny or Cabinet.
- 40 The ADM for leisure centres is an example of when the Council and Greenwich Leisure Limited (GLL) agreed the performance measures and targets with the Council establishing a client function to monitor and manage the performance and the contract with GLL. However, similar monitoring arrangements were lacking in the report to exclude Cardiff International Sport Stadium from the wider leisure procurement process and transfer its management to Cardiff and Vale College.
- 41 Scrutiny does, however, proactively identify how it wants to monitor a service change as part of its pre-decision scrutiny. Service change progress updates are subsequently set out in scrutiny committees' forward work programmes.

The Council is committed to strengthening governance and decision making, and has responded positively to our audit reports

- 42 We undertook a Corporate Assessment at the Council in 2014 and completed a Corporate Assessment Follow-on in 2015. We reviewed decision-making arrangements as part of these two reviews. In 2014, we concluded that some processes, intended to ensure good governance, were not being implemented and decision-making processes were inefficient and lacked transparency.
- 43 In response, the Council:
- created the ODP in 2014; and
 - developed a Statement of Action in 2016.⁶

⁶ Statement of Action produced by the Council in response to the Corporate Assessment Follow-on report. The Statement of Action contains the key actions and timescales for addressing the statutory recommendation and proposals for improvement.

- 44 In July 2015, the Council reviewed and reshaped the ODP into two principal portfolios of work: Enabling and Commissioning Services, and Reshaping Services. A key element of the Enabling and Commissioning portfolio was to strengthen governance and engagement to support improved decision making.
- 45 Following the Council's annual review of the ODP in 2016, the Council re-profiled the Governance and Engagement element into Performance and Governance to directly address many of the Proposals for Improvement from our Corporate Assessment Follow-on report.
- 46 The Council has developed a Control Risk Self-Assessment (CRSA) to provide assurance on the ODP projects during the varying stages of their lifecycles. Internal Audit has undertaken an initial pilot of the CRSA on some of the ODP projects. The Internal Audit quarter two report for 2016-17 provided an audit opinion of 'satisfactory' following a CRSA of the ADM for infrastructure services, agile working, mobile working and scheduling and office rationalisation.
- 47 All programmes and projects within the ODP are required to develop and maintain an up-to-date risk register. For some of the service changes reviewed, there is a log used to record and track both programme and project risks. The log includes risks identified over the life of the programme or project. Residual risk rating, future mitigating actions and controlled residual risk rating is applied to the individual risks.

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Management Response

Local Authority: City of Cardiff Council

Report title: Good Governance when Determining Significant Service Changes

Issue date: March 2017

Document reference: 120A2017

Page 129

Ref	Proposal for Improvement	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
The Council's governance arrangements could be strengthened by:							
P1	Ensuring information supporting service change proposals consistently includes options and clearly sets out the method of appraising the options.	Options are considered in all service change proposals and there is greater clarity on how options are appraised.	Yes	Yes	Actions identified: <ul style="list-style-type: none"> Ensuring wide understanding of and strong links into the Council's commissioning approach. Robust completion of the Analysis phase of the Commissioning Cycle is especially important to accurately specifying the outcomes most pertinent to our residents and then ensuring the potential range of options are identified and fully considered. This will link into the Council's refreshed Commissioning Strategy Ensuring the options appraisal element of the Service Review toolkit is properly understood across the organisation and that managers accountable for significant service change understand how to apply this element successfully and then do so in a proportionate manner. 	Q3 2017-18	SMT OM Commissioning & Procurement

Ref	Proposal for Improvement	Intended outcome/benefit	High priority (yes/no)	Accepted (yes/no)	Management response	Completion date	Responsible officer
P2	Explicitly setting out the arrangements for monitoring the impact of each service change.	Improved transparency of the arrangements to monitor impact and greater understanding of the impact of service changes.	Yes	Yes	Actions identified: <ul style="list-style-type: none"> Formalise the process whereby managers/project managers leading a significant service change set out the performance and other measures that will be used to identify the success of service change Also important to understand how lessons can be learned from service change; a format should be developed to capture this 	October 2017	SMT OM Programme Manager

**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**

AUDIT COMMITTEE:

20 June 2017

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

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 10.1

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. The Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices.
2. This report has been prepared to provide Audit Committee Members with performance information and a position statement on Treasury Management as at 31 May 2017.

Background

3. Appendix 1 provides the Committee with position statements on investments and borrowing at 31 May 2017. There is deemed to be little change for Audit Committee to note since the previous position statement for 28 February 2017 received by Audit Committee in March 2017.

Performance

4. At 31 May 2017, investments total £94 million. The budgeted level of interest receivable from treasury investments is £360,000 with this forecast for the year to be updated at Month 4 Budget Monitoring.
5. Borrowing is £672.5 million, with the average rate being 4.73%. The total interest forecast to be payable is shown as that initially budgeted, £32.2 million.
6. The budgeted level of internal borrowing at 31 March 2018 is £65 million. The projections for this and interest will be updated at Month 4 Monitoring to reflect assumptions re external borrowing planned to be undertaken in 2017/18. If borrowing is not undertaken or taken later in the year, then the value of interest expense will be less than budgeted.

Investments

7. Pages 2 and 3 of both Performance Reports consider the position on investments. The charts on the Performance Report show the position at a point in time and investments continue to be closely monitored.
8. The current investments list details each investment, the interest rate, the start date and maturity date. They also link this back to the credit criteria approved by Council in February 2017 by a colour coding which indicates the perceived strength of the organisation.
9. The balance of investments is at a point in time and will fluctuate depending on the timing of income and expenditure e.g. payments to suppliers, receipt of grants, capital receipts etc.
10. The charts that surround this table provide additional information and the key areas to highlight are shown below.
 - **Counterparty Exposure** displays actual investment against the maximum permitted directly with an organisation – This demonstrates that we are not exceeding any exposure limits.
 - **Remaining Maturity Profile of Investments.** Maturities of investments have been spread to achieve a balanced profile.
 - **Investments by Institution.** This expresses the investments held with different institutions as a percentage of the total. It can be seen that investments remain diversified over a number of organisations.
 - **Geographic Spread of Investments** as determined by the country of origin of relevant organisations. All countries are rated AA and above as per our approved criteria.
 - **Investments by Financial Sector.** The majority of investments are with banks.

Borrowing

11. Since the February 2017 performance report, £1.4 million of maturing PWLB loans have been repaid and an £57,620 of interest free loans from SALIX for specific capital projects have been included.
12. As set out in the Council's Treasury Management Strategy for 2017/18, further external borrowing is required in 2017/18, with initial estimates that the borrowing requirement would be £65 million i.e. the difference between the closing Capital Finance Requirement and the level of external borrowing with no new borrowing at 31 March 2018.
13. The timing and quantum of any new external borrowing will be considered in conjunction with the Council's treasury advisors, having regard to forecasts for interest rates and performance in delivering the capital programme. Updates would be provided in future reports to Committee.

Reason for Report

14. To provide Audit Committee Members with a performance position statement at 31 May 2017.

Legal Implications

15. No direct legal implications arise from this report.

Financial Implications

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

RECOMMENDATIONS

17. That the Treasury Performance Report for 31 May 2017 be noted.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
09 June 2017

The following appendix is attached
Appendix 1 – Cardiff Council Treasury Management Performance Report – 31
May 2017

Mae'r dudalen hon yn wag yn fwriadol

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

Document is Restricted

Mae'r dudalen hon yn wag yn fwriadol

**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD****AUDIT COMMITTEE: 20 June 2017**

INTERNAL AUDIT PROGRESS REPORT, 2017-18**REPORT OF THE HEAD OF FINANCE****AGENDA ITEM: 11.1**

Reason for this Report

1. Audit Committee's new Terms of Reference requires that Members consider reports from the Audit Manager on Internal Audit's performance during the year.
2. This report has been prepared to provide Audit Committee Members with an update on the work of Internal Audit as at May 2017, for the current financial year.

Background

1. An Audit Plan is prepared each year, by which the work of Internal Audit can be measured. It is important that this allows for flexibility so that professional judgement can be applied to enable work to be prioritised over the life of the Plan, in order to maximise the use of audit resources and add most value to the organisation in targeting changing risks.
2. The Head of Finance prepares quarterly and half yearly progress reports, outlining the work undertaken by the audit teams.
3. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence is maintained as the Head of Finance reports functionally to the Audit Committee for all audit-related matters. The Head of Finance reports administratively and otherwise professionally to the Corporate Director, Resources.
4. Progress reports are discussed with the Corporate Director Resources, to provide a meaningful update on the work of the team and to give the opportunity to discuss changing priorities. This is then presented to Audit Committee.

Issues

5. The progress report is attached at Annex 1 for information.
6. The key issue arising from the report is that a significant amount of audit working days were lost during Q1 due to sickness absence and vacant auditor post that has not been able to be filled despite attempts to recruit externally. Short term agency solutions are being explored with a view to increasing the number of auditors available in the forthcoming period in order to have positive impact on the delivery of the audit plan going forward.

Legal Implications

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

Financial Implications

8. The use of agency will be contained within the overall budget for Internal Audit by managing the number of hours bought in externally.

RECOMMENDATIONS

9. That the Committee note the contents of the report and the proposed actions to address the shortfall in audit days.

IAN ALLWOOD
HEAD OF FINANCE

The following is attached: **Annex 1: Internal Audit Progress Report, 2017-18**



RESOURCES DIRECTORATE INTERNAL AUDIT SECTION

Internal Audit Progress Report (as at May 2017)

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INTERNAL AUDIT PROGRESS REPORT

1. INTRODUCTION

1.1 Background

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

The Internal Audit plan for 2017/18 is made up of a total of 3,500 days (2,900 for the audit team and 600 for the investigations team). A total of 2,519 chargeable days was agreed – 2,102 for the audit team and 417 for the investigations team.

This report serves to provide an update on progress against the plan to the end of May 2017.

1.2 Internal Audit Section Resources

The Internal Audit section reports directly to the Head of Finance. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence is maintained as the Head of Finance reports functionally to the Audit Committee for all audit-related matters. In all other respects, the Head of Finance reports to the Corporate Director, Resources.

During the first few weeks of the quarter, there have been a number of occasions of sickness absence in the team for various reasons, which has reduced the number of chargeable days that have been worked. The provisions of the Council's Attendance and Wellbeing Policy have been followed in each case of sickness absence and officers will be supported in their return to work. In addition, the team also has a vacancy for a Principal Auditor and, although a short gap in recruitment had been anticipated when the plan for 2017/18 was developed, the post has had to be readvertised. As at 31st May 2017, around 11 working weeks have been lost to sickness absence and these have, consequently, had an impact on the productivity of the audit team in particular. Work is currently being undertaken in order to ensure that the audit plan continues to focus on the key risk areas of the Council which will include the use of short term agency auditors.

1.3 Continuing Professional Development

Where possible, the PP&DR reviews in relation to performance during 2016/17 have been completed as at 31st May 2017 with the two outstanding being in respect of those on sickness absence. The Council has a new Personal Review scheme from April 2017 and for Audit will reinforce the focus on improvement in productivity and recommendations implemented. The new objectives for 2017/18 underpinning continue to be discussed with the members of the Section and will be agreed by the end of June.

2. SUMMARY OF WORK PERFORMED

2.1 Audit team

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

All auditors have been allocated three months' work with an expectation their assignments will be effectively managed and delivered within that time scale. This approach focuses on outcomes and is improving performance and timeliness of reporting.

This progress report concentrates on audit work undertaken and some key performance indicators to date. A full Plan v Actual position will be provided at the half year stage with any recommendations to changes to planned coverage, taking into account the reduction in available resources due to sickness, the productive time of the agency workers and areas identified from work of other scrutiny committees.

The Head of Finance has met with the Chief Executive to discuss audit matters and provide information on the new assurance ratings and recommendation definitions. These changes have been recognised and reinforced in the Council's Senior Management Assurance Statements for 2016/17 and going forward into 2017/18.

Key information this quarter is shown in **Appendix A**, which shows a list of audits reported for the period April until the end of May 2017 (time of writing this report). This includes assignments carried forward from 2016/17 which were prioritised accordingly in this year's Plan. Members will note from Appendix A that two limited assurance reports (St. Cuthbert's and All Saints Primary Schools) have been finalised in Q1.

The opinions given in reports issued to the end of May 2017 are shown below. Members will note that the opinions given are those applicable to 2016/17, as these reports have been carried over from the previous year:

	Number of reports	Opinion				No opinion given
		High Assurance	Satisfactory Assurance	Limited Assurance	No Assurance	
Draft reports issued	2	0	0	1	0	1
Final reports issued	8	0	5	2	0	1
Closed	4	0	0	0	0	4
TOTAL	14	0	5	3	0	6

There are six reports issued that have not been given an assurance opinion at this stage. These are:

Audit	Comments
Welsh Language Standards	Briefing paper for consideration by Senior Management Team. Further audit work to be considered after Q3.
Breakfast club – Coryton Primary School	Briefing paper on the Breakfast Club provided at the request of the Headteacher.
Annual returns (x 4)	Audits undertaken to support the Council's Statement of Accounts.

As the team issues reports using the new assurance ratings (as agreed in the March meeting), the information provided to Audit Committee will not be immediately comparable. It is, therefore, proposed that the ratings will be combined as below, and this analysis used from the progress report for Q2:

Previous assurance rating	Equivalent rating for new audits from April 2017
High	Effective
Satisfactory	Effective with Opportunity for Improvement
Limited	Insufficient with Major Improvement Needed
No	Unsatisfactory

The number of chargeable days allocated to audits to 26th May 2017 is 175 (against a pro-rata plan of 432 days), which is almost 41% of the planned chargeable days. As indicated above, the team has had a number of sickness absences in Q1 and this has had a severe impact on the number of chargeable days achieved. The number of chargeable days has also been affected by a vacant post

and a period of jury service, and a report will be put before Members in Q2 which will show the impact the use of agency auditors will have on chargeable time.

Investigation Team

Following the success of the delivery of the Investigating officer training on behalf of HR People Services, additional sessions have now been agreed and scheduled to take place later in the year.

Following an inspection in February by the Office of Surveillance Commissioners, a formal recommendation was made that the Council introduce a policy for the use of Social Networking sites for investigative purposes. Owing to the experience the Council's Investigation Team have in this field, the Group Auditor (Investigations) was tasked with producing a policy, which is currently with Governance and Legal Services.

The UK Cabinet Office continues to release new matches as part of the National Fraud Initiative (NFI) data matching exercise. We are currently investigating potential frauds / anomalies relating to pensions, council tax, creditors, housing, market traders, payroll and pensions. Over the next three months, a value for money exercise will be undertaken to assess the benefits of the NFI data matching exercise.

Numerous fraud referrals have been received and investigations undertaken; a summary of the themes are set out in **Appendix B**.

3. AUDIT PERFORMANCE AND ADDED VALUE

3.1 Added value

Meetings have been arranged with every Director, in line with our Relationship Manager initiative, and diarised for quarterly meetings throughout 2017/18. These are useful in progressing matters relating to audits completed and planned and for discussing directorate risks, issues and areas for potential audit input. Members will be updated in Q2 of the outcomes of the next series of meetings and any changes that have been made to the audit plan as a result.

3.2 Benchmarking

The Audit team is a member of the Welsh Chief Auditors, Core Cities and CIPFA benchmarking groups and is in the process of submitting statistics to all groups for 2016/17. Comparative data is anticipated to be received during the summer period and will be reported to Audit Committee in due course.

3.3 Processes

Internal Audit has continued to develop its use of SharePoint, the Council's Electronic Document & Record Management System and has (with the assistance of officers in HR People Services) developed a timesheet module on the Council's DigiGOV system for time recording from April 2017 (to replace the previous Excel-based time recording system which was becoming unfit for purpose). The management information available from both SharePoint and DigiGOV has been used to provide performance management information for each auditor and the section as a whole, as well as the information provided in this report.

3.4 Risk-based audit methodology

As Members will be aware, the Audit team is refocussing on risk-based audits to provide assurance with regard to the control environment of the Council.

The audit plan for 2017/18 focusses on a thematic approach to main key strategic risks - payroll, commissioning and procurement, effective decision making and governance – and how these are managed on an operational level within each directorate. The Council's Corporate Risk Register was also used to identify those areas of concern to the Council where there were few sources of assurance on the management of those risks from other scrutiny committees or bodies outside the Council.

The scope of each audit will be set out following a meeting with the managers concerned; the objectives in the terms of reference will be based on importance and meetings held with the reviewing manager half way through the audit to discuss the progress and to adjust resource allocations during the progress of the review. There is more emphasis on the controls in place and the root causes of issues that are identified in order to identify the underlying risk and control gaps.

The team has also refocused the definitions of the recommendation risk ratings with an emphasis on risk and control, as set out in the progress report presented to the last Audit Committee. By doing so, the quality of the reports given to management will improve and the number of recommendations implemented in three months (one of the section's targets for 2017/18) will increase. This focus on recommendations rather than performing follow up audits will also allow the Audit Manager to gain assurance from the implementation of agreed recommendations.

As part of the focus on recommendations and the importance of providing sound advice and guidance to audit clients, Internal Audit has developed a recommendation tracker on SharePoint which will allow managers to directly provide updates on the progress made towards implementing the audit recommendations.

4. SCRUTINY COMMITTEE CORRESPONDENCE

At the March meeting of the Audit Committee, it was proposed that future progress reports included any relevant items arising from Scrutiny Committees. The review of items since the last meeting of the Audit Committee has identified the following as being relevant for inclusion in this progress report:

- (a) *Direct Payments (Social Services)* – this is a project that has been considered by the Community and Adult Services Scrutiny Committee in 2016/17; a review of the proposed procurement process has been considered and included in the audit plan for 2017/18 (quarter 3);
- (b) *GLL contract to provide Leisure Services* – a review of partnership working is in the audit plan for 2017/18;
- (c) *Procurement Strategy* – discussion of the strategy for 2017-2020 was held at the Policy Review and Performance Scrutiny Committee in March 2017. Internal Audit has included new strategy as part of the background information for the thematic approach to commissioning and procurement work in 2017/18 (both within directorates and as a strategic Council-wide review);

- (d) *School Admissions* – this policy was considered by the Children and Young People Scrutiny Committee in March 2017, and audit work in this area will be further considered by the Audit Manager, with a scope for the review brought to Audit Committee in September 2017;
- (e) *Regional Partnership Board* - this was discussed by the Community and Adult Services Scrutiny Committee in March 2017. Audit work in this area will be further considered by the Audit Manager, with a scope for this review brought to Audit Committee in September 2017;
- (f) *School Governor Effectiveness* – this is an area which has already been included in the audit plan for 2017/18 as part of the thematic review of effective decision making in schools.

5. **CONCLUSION**

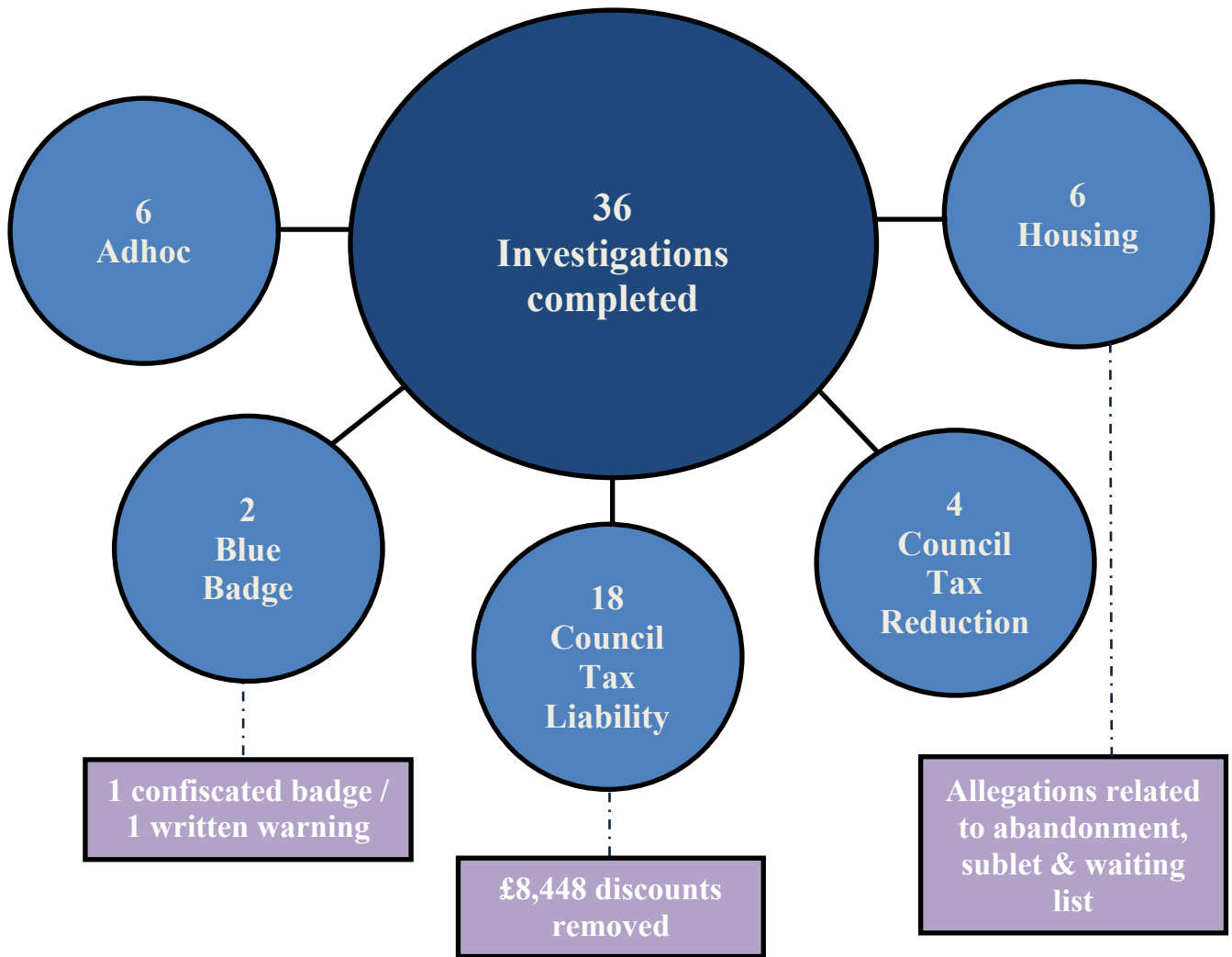
Members will note that the work of the section has been affected by a number of factors, including sickness and continuing to have a vacant post. However, steps are being taken to use agency employees to carry out some of the high risk / complex audits and a report will be brought before this Committee at the end of Q2 to show the impact of this on the audit plan.

Analysis of the Scrutiny Committee correspondence has show that there are two areas not currently in the plan for 2017/18 (school admissions and the Regional Partnership Board) that will be considered further and a scope for the reviews brought to Audit Committee in September.

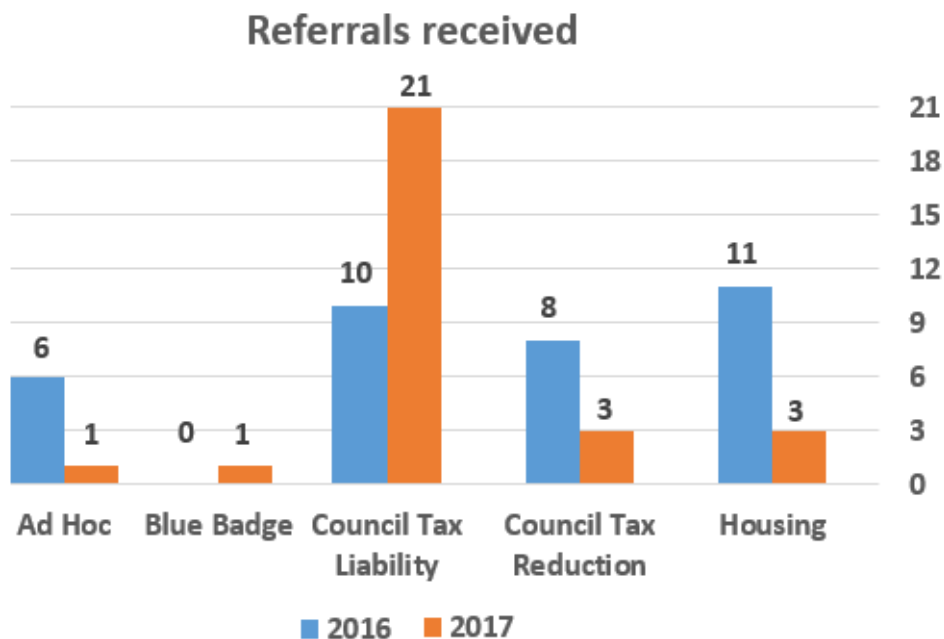
Reports Issued in Quarter 1 (as at May 2017)

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Fundamental / High				
Medium				
St. Cuthbert's	Limited	2	2	
St. David's	Satisfactory	1	1	
Welsh Language Standards	None given			
Mount Stuart	Satisfactory	1	1	
Follow-ups				
Birchgrove	Satisfactory			
St. Monica's	Satisfactory	1	1	
All Saints	Limited	5	5	
Land Charges	Satisfactory			
Payments to Care Leavers	Limited	2		Draft report issued
Grants / Accounts / External Bodies				
Joint Committee – City Deal	Annual returns (part of Statement of Accounts)			
Joint Committee – Port Health				
Joint Committee – Prosiect Gwyrdd				
Joint Committee – Glamorgan Archives				
Ad hoc assignments				
Breakfast Club – Coryton Primary School	Audit undertaken at the request of the Headteacher			

Investigation Team Report (as at May 2017)



During the same period in 2016, 28 investigations were completed.



INTERNAL AUDIT ANNUAL REPORT 2016-17

REPORT OF THE HEAD OF FINANCE

AGENDA ITEM: 11.2

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

Reason for this Report

1. The Audit Committee's new Terms of Reference requires that Members consider reports from the Audit Manager on Internal Audit's performance during the year.
2. At the end of each financial year, a report is prepared providing an overview of the approach adopted to audit assignments, and detailing the work undertaken by the Audit teams over the past 12 months. This is shared with the Section 151 Officer and Audit Committee.

Background

3. The Annual Internal Audit Strategy/Plan for 2016-17 was reported to the Audit Committee on 22 March 2016, outlining the work plan for the Audit Section. The work of the Section is then measured against this plan.
4. Each quarter a progress report has been prepared for the Corporate Director Resources, which outlines the work undertaken by Internal Audit and measures progress against the Plan. This provided an opportunity to discuss and review work undertaken and prioritise high risk assignments. These reports also provided feedback on some key performance indicators, client feedback and other initiatives with which Audit are engaged. During 2016-17, these reports were presented to Audit Committee at each meeting.
5. The Annual Report outlines the productivity performance of the Internal Audit function and the position at the end of 31 March 2017 in relation to the status of the audits and the assurance opinions that have been completed.
6. This report also identifies that 673 recommendations have been made in 130 reports issued. Whilst 100% of the red risk recommendations have been accepted, the key success factor for the Council is the number of actioned recommendations.
7. As discussed at the last meeting, in 2017-18 there will be a focus on ensuring that the implementation of audit recommendations will be captured and be a priority for the Council. The previous update also provided information on the revised approach to be taken in respect of follow up audits and the revised assurance ratings that will be implemented in 2017-18.
8. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence is maintained as the Head of Finance reports functionally to the Audit Committee for all audit-related matters. The Head of Finance reports administratively and otherwise professionally to the Corporate Director, Resources.

Issues

9. The Annual Report for the financial year 2016 -17 is attached at Annex 1.
10. A key feature of this report is where the Audit Manager, in compliance with the Public Sector Internal Audit Standard (PSIAS) has provided an opinion following an assessment of the effectiveness of the control environment, risk and governance arrangements within the Council, based on the work of the Audit teams.
11. In addition to an overview of work undertaken and its outcomes, the report also provides information on the Section that covers the period of the past 12 months and some useful performance monitoring information in relation to client interaction and feedback.

Reasons for Recommendations

12. To provide Audit Committee Members with an overview of Internal Audit activity during 2016-17.

Legal Implications

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

Financial Implications

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

RECOMMENDATIONS

15. That the Committee note the report.

IAN ALLWOOD
Head of Finance
09 June 2017

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



Internal Audit Annual Report 2016/17



MISSION STATEMENT

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

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1. INTRODUCTION

The Annual Reporting Process

1.1. The annual report gives an overview of audit performance during 2016/17, seeks to provide an opinion on the adequacy of the control environment in the City of Cardiff Council, and report the incidence of any significant control weaknesses. This report is prepared by the Head of Finance who is responsible for the Internal Audit and Investigations Team. For ease of reference, the term “Audit Manager” will be used in this report in order to outline the responsibilities of the role.

1.2. As set out in the Public Sector Internal Audit Standards (PSIAS), a professional, independent and objective internal audit service is one of the key elements of good governance, and its mission is defined (as at March 2017) as:

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”

1.3. Management is responsible for the system of internal control and must set in place policies and procedures to ensure that the internal controls are functioning correctly. Internal Audit acts as an assurance function providing an independent and objective opinion on the Council’s control environment by evaluating its effectiveness in achieving objectives.

Requirement for Internal Audit

1.4. The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and system of internal control.

1.5. The Audit Manager (the Chief Audit Executive – CAE - for the purpose of the Standard) must provide an annual internal audit opinion and report, timed to support the Annual Governance Statement. The PSIAS specifies that the annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. In doing so, the Audit Manager undertakes an assessment of the adequacy of the controls in place to support the achievement of management and corporate objectives.

Report Preparation

1.6. This report has been prepared by the Head of Finance, based on the provision of the PSIAS. Assurance has been obtained from a number of sources including:

- *Internal Audit Assignments* – work undertaken as prioritised within the Annual Audit Plan. Each assignment is risk based to deliver added value and to maximise resources. This does include some unplanned audits, undertaken at the request of Senior Management.

- *Selected Value For Money studies and exercises on spend analysis* - selected from areas of budget spend.
- *Discussion with Senior Managers* – relationship manager meetings are held on a quarterly basis with Directors, and the Audit Manager holds regular meetings with the Corporate Director Resources / Section 151 Officer and the Chief Executive.
- *Consultancy* - advice and guidance offered generally or in specific matters, including the role of “critical friend” where new and innovative systems are being designed and developed.
- *Investigations into Suspected Frauds* – through prevention, detection and oversight of all internal investigations.
- *Risk & Governance* – work undertaken auditing the co-ordination of the Corporate Risk Register, the Annual Governance Statement and associated documents, and the use of these documents to inform the audit planning process.

Internal Audit Section Resources

1.7. As at 31st March 2017, the Internal Audit team has 13 members of staff (11.2 FTE), made up of a Group Auditor, 2 Principal Auditors (one post currently vacant and in the process of being advertised), 2 Senior Auditors (one currently on maternity leave), 7 Auditors (6.2FTE) and an Audit Assistant. The Investigations team comprises of 3 members of staff (2.3FTE). Members of the section hold various qualifications appropriate to their work, including CIPFA and AAT.

1.8. The total net budget for the section for 2016/17 was £523,900.

Independence and Objectivity

1.9. Internal Auditors are required to undertake audits in line with the provision of the PSIAS and in accordance with the Codes of Ethics of any professional bodies. The importance of independence is communicated to auditors and care is taken to ensure that all audit work is undertaken in an independent and objective manner. The PSIAS (1100) stipulate that any conflicts of interest or impairment to independence or objectivity must be disclosed and each year all members of the Internal Audit section are required to complete a Staff Declaration Statement. This identifies any potential conflict of interest that any member of the Audit team may have, which is considered when assigning audits.

1.10. The Audit Manager has direct reporting access to the Chief Executive, the Chair of Audit Committee and all elected Members as he considers appropriate.

Continuing Professional Development

1.11. It is also specified in the PSIAS (1230) that Internal Audit staff have a personal responsibility to maintain and develop their competencies, so that they have the necessary skills and knowledge to

undertake audits to a high standard. Members of staff are encouraged to attend courses provided by the South Wales Chief Internal Auditor group, and to identify other suitable CIPFA or IIA courses which are supported when budget restrictions allow. Four auditors began studying for the IIA qualification during 2016/17 and this training will continue in 2017/18.

- 1.12. The provisions of the Council's Personal Performance and Development Review (PP&DR) process are fully supported in the section, and there are regular 1-2-1 meetings with the team members to discuss progress on assignments and identify improvement areas of working.
- 1.13. A skills exercise is undertaken annually, the results of which are taken into account in the personal review discussions. An internal training programme has also been developed to update and refresh knowledge on various aspects of audit methodologies and Council procedures.

2. REVIEW OF INTERNAL CONTROL AND OPINION

Opinion 2016/17

- 2.1 Based on the programme of audit and investigatory work undertaken and contributions to preparing some of the key governance documents e.g. the Corporate Risk Register and Annual Governance Statement, it is considered that the overall framework for control within the Council for 2016/17 remains satisfactory. This opinion is based with an acknowledgment of the increasing pressure on resources in both demand and budgets which is managed by a robust performance culture.
- 2.2 It is becoming increasingly challenging to provide a satisfactory opinion as, whilst the financial control framework remains robust, audits continue to highlight system weaknesses in some areas and / or compliance issues which identify further opportunities to enhance control. The impact on budgets puts pressure on those remaining resources combined with the loss of knowledge and experience as officers leave the Council. This is happening at a time where demands are steady or increasing and change is bringing with it new challenges and risks that need to be managed.
- 2.3 It is noted that there were 31 audits completed where a "Limited assurance" opinion was provided and three where a "No assurance" opinion was provided, which it is felt reflects, to a degree, the pressure on resources across directorates to maintain a sound control environment while struggling to retain efficient and effective services and deliver the change agenda. This requires regular monitoring and reporting with key themes identified and targeted.
- 2.4 In addition to this general pressure on resources, areas of particular concern have been highlighted in quarterly progress reports presented to the Section 151 Officer and Audit Committee, and include:

- The Control Risk Self-Assessment (CRSA) approach has been a major step forward in gathering evidence to support sound governance, risk management and control arrangement and has been well received. Although it is most widely used to support the audit of schools, it is used within the audits of most fundamental financial systems, as well as the audits of the Pension Fund, Insurance Fund and some Social Services systems. Work continues to ensure that the CRSA approach is targeting key risk areas thus retaining an extensive area of coverage but also being mindful of the resources needed to support it and provide the evidential information. The CRSA approach will be undermined if it results in significant resource from either auditors or more importantly the areas being reviewed.
- Work on contracts has continued to identify concerns over contract management skills as new ways of operating are being explored. Audits have highlighted some contract related matters and how these need addressing given the significance of the contract sums.
- In some audits, it was evident that there was a lack of work instructions and process mapping to capture how procedures and systems operate. This was highlighted because of the potential impact with a number of experienced staff leaving, stressing the need for proper documentation to ensure remaining and any new staff consistently follow tried and tested systems which should comply with Council rules and policies.

2.5 On a positive note, Internal Audit continues to provide training on internal control as part of the Cardiff Manager Programme; this is seen as a major step forward in raising awareness with senior managers around these key areas of governance and has helped clarify and set out their responsibilities for leading on compliance. The Group Auditor (Investigations) has developed and delivered a training programme for investigating officers (236 officers trained) in line with the Council's revised disciplinary policy, and has also delivered bespoke training for some groups of staff.

3. **SUMMARY OF WORK PERFORMED**

3.1 Internal Audit, as defined in the PSIAS, encompasses the whole internal control system and is not limited to financial controls. It is defined as helping “... *an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*”

3.2 The range of functions provided throughout the year is as outlined in our Audit Charter, considered by the Audit Committee as part of the Audit Strategy at its meeting in January 2017 and agreed in March 2017.

- 3.3 Details of all audits and audit opinions, together with other tasks performed and key performance indicators, are reported quarterly to the Section 151 Officer and Audit Committee so they are regularly updated and aware of any matters arising from audit work.
- 3.4 Delivering the Audit Plan has been a challenge this year with a number of factors impacting on work undertaken. The need for contract management specialist skills remains and this will be a focus of further skill development over the next twelve months.

Audit team

- 3.5 A summary of the final reports issued by Internal Audit during 2016/17 (and those at draft status at the year end) is attached as **Appendix A**. The overall level of audits reported is slightly higher than in the last two years (at 129 compared to 100 previously), although it will be appreciated that the makeup and complexity will be different. Not all assignments recorded as being completed will result in a written report or briefing paper, and this work will support other audits / investigations or areas of review.
- 3.6 Through constant monitoring and prioritisation, the focus remained on high risk audits and 13 of these were finalised or at draft report stage at year end, although there was some slippage and a need to prioritise some high risk audits in the Audit Plan for 2017/18. Of these, two were Limited Assurance where follow up audits are scheduled and further work is required to enhance controls and compliance in these areas.
- 3.7 A further 94 audit reports relating to Medium risk areas were issued, of which 29 were limited assurance and three no assurance. There were 11 grant audits or audits for external clients completed during the year, one final account and 10 audits that had a briefing paper (rather than a full report).
- 3.8 It should be recognised that not all of the work undertaken by the Audit team results in an audit report or grant certificate. Work is undertaken in areas that provide assurance on risk management and internal control, including advice and guidance (both on current issues and on system development) and interpretation of Council Regulations. **Appendix B** provides a list of work areas where an audit report may not be the outcome.
- 3.9 In order to maximise audit resources, the approach using Control Risk Self Assessment (CRSA) has been extended further over the past 12 months; a full programme is now in place for schools and is also used successfully for the majority of core financial systems. A CRSA has also been developed for contract audit, and is in the process of being discussed with officers from Commissioning and Procurement before being used in directorates.

3.10 A key element of our role has continued to be working with others when systems and processes are being redesigned and reconfigured to meet changing demands. Here our role in ensuring risks are properly identified, mapped and mitigated and controls adequately considered and prioritised and projects delivered to scope, time and budget is consider important, especially where the Council is undergoing such rapid change to deal with budgetary and other wide ranging pressures.

3.11 Regarding systems and processes, a significant amount of work has again been done reviewing our working practices across the Section over the past 12 months, building on previous work around lean auditing. The Audit development team has been established to progress actions arising from the review and an opportunities log is being maintained and regularly discussed. Audit protocols and working methods have been updated and engagement with clients has continued to shape and enhance the service provided. The use of SharePoint continues to increase, with further changes in administrative processes being put in place from April 2017. Members will be aware that the assurance ratings will be changed from April 2017 and the ratings for recommendations have been redefined.

Recommendations Agreed with Management

3.12 The recommendations raised in audit reports are given a risk rating in line with the risk ratings in the Council’s corporate risk strategy (i.e. red, red/amber and amber/green). The table below sets out the recommendations raised by the assurance level given:

Risk Rating	Recommendations Raised by Auditor	Recommendations Agreed by Client Manager	Percentage Agreed to Raised
Red	200	200	100%
Red/Amber	278	276	99%
Amber / Green	195	193	99%
TOTAL	673	669	99%

3.13 The number of green risk recommendations are no longer recorded as these are discussed with the client at the exit meeting when the draft report is discussed, in order that these matters do not disproportionately attract attention when the final report is issued.

3.14 The figures show that with 99% of audit recommendations agreed that managers welcome ideas as to how governance or controls can be enhanced and it provides a degree of assurance that the auditor understands the risks and is adding value through the fieldwork undertaken.

Recommendations Acted Upon

3.15 Important as it is that audit recommendations are agreed, change will only happen if the recommendations are implemented and so audit reports are monitored until all actions are closed. The database is regularly analysed and reports prepared every quarter of open actions. Each

Directorate has a relationship manager who provides information on outstanding items in their regular meetings.

Investigation Team

~~3.16~~ **Appendix C** sets out a report which details the activities of the Investigation Team

4. AUDIT PERFORMANCE AND ADDED VALUE

Quality Assurance

- 4.1 Internal Audit is committed to working to the highest professional standards, and to delivering a quality product that adds value to senior management. As such, performance is actively monitored and feedback from management is encouraged.
- 4.2 An Audit planning control database is maintained to effectively monitor work done in line with that planned. This is where the detail of the Audit Plan is kept. The database is used to allocate assignments and record work done in areas, to provide key performance information for management. Auditors are required to complete timesheets to record work undertaken on their assignments and tasks they are allocated, so management can continually assess the Plan v Actual position for individual audits and across the overall Plan.
- 4.3 Each audit is subject to a qualitative review by a senior member of the team who ensure the focus on key risks is retained throughout the course of the assignment and time is used to best effect. The reviewer will undertake checks to ensure professional standards are maintained and no report is sent out without a review by a senior member of the team. Any Limited Assurance report, or any with a significant issue to report, are reviewed by the Audit Manager.
- 4.4 Following the issue of a draft audit report, a meeting is held with the Client Manager with an opportunity for them to challenge the audit findings and proposed recommended actions. This provides a degree of assurance that the final reported position is accurate and reflects the appropriate risk profile of the audit and any recommendations for improvement are considered.

Post Audit Assessment & Customer Feedback

- 4.5 As part of qualitative assurance, the Audit team uses a process known as “post audit assessment”, which includes a client questionnaire.
- 4.6 The Post Audit Assessment sets out the core competencies required whilst undertaking an audit and the auditor for each assignment has to score their performance against each of these competencies. The assessment is useful in providing assurance that key competencies are evidenced throughout the audit process and as a useful means of identifying training needs. Analysing the assessments

helps focus individual PPD reviews and provides audit management with an overview of performance at the different grades.

4.7 Following each audit, Client Managers are contacted and asked to complete a Quality Assurance Questionnaire, recognising the value placed on the feedback they provide. These questions cover four categories, and the results are used to determine areas for improvement.

4.8 During the year, 36 questionnaires were issued. The results from the questionnaires are summarised in the table below:

	Excellent	Good	Satisfactory	Unsatisfactory	TOTAL
Communication	26	10	0	0	36
Auditor Advice	21	11	4	0	36
Report	17	12	7	0	36
Performance	22	13	1	0	36
	86	46	12	0	144

4.9 It can be seen that the feedback from the audit questionnaires is positive, which is encouraging as the nature and complexity of the assignments continues to change. The questionnaires also ask Managers to indicate whether they consider that the audit process added value and there was only one negative responses. This related to an ad-hoc assignment where the majority of issues were known to (and addressed by management before the audit was completed. It can be seen that the majority of the auditees felt that the audits undertaken are constructive and add value.

Audit Recommendations

4.10 The extent to which audit recommendations are agreed by senior managers is used as a measure of auditor’s performance as a high level suggests an understanding of the risks and controls within the area under review and adding value by proposing meaningful changes and cost effective changes. Details of these have already been provided above.

Benchmarking

4.11 The Audit team is a member of the Welsh Chief Auditors, UK Core Cities and the CIPFA Internal Audit benchmarking groups. The exercises for 2016/17 are now underway and the results will be received later in 2017 (with a report on the outcomes being made to Audit Committee in due course).

4.12 A key area that has been identified from previous benchmarking exercises is in respect of productive time compared to non productive. The overall average chargeable percentage for 2016/17 was approximately 83%; which is an increase on the overall chargeable percentage for 2015/16. However, variations between team members are apparent and work continues to focus on quality

of output, support and training needed in order to ensure that neither quality nor output are compromised.

Self-Assessment and Peer Review

- 4.13 Every year the Audit Manager completes the PSIAS self assessment evaluation and in doing so is able to confirm the work of the Audit team conforms to the standard. Again this year there are no significant non conformances considered worthy of reporting. This assessment is shared with the Wales Audit Office which looks to rely to a degree on the work of colleagues in Internal Audit.
- 4.14 Members of Audit Committee will be aware that work was programmed with a neighbouring authority for a full external assessment in the autumn, as required within the Standard. Preliminary work was undertaken but the Audit Managers of both Councils agreed to postpone the full assessment until 2017/18. The deadline date for the PSIAS peer review is 31 March 2018.

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
<i>Fundamental / High</i>				
Council Tax 2015/16	Satisfactory			
Housing Rent Arrears	Satisfactory			
Housing Rent Setting	Satisfactory			
Local Housing Allowance	Satisfactory			
Income Management	Limited	0	0	
Allocations, lettings and voids	Satisfactory			
Treasury Management	Satisfactory			
Welfare Reform	Satisfactory			
<i>Medium</i>				
Bishop Childs Primary School	Limited	4	4	
Trowbridge Primary School	Limited	16	16	
Carbon Reduction Commitment	Satisfactory			
Payments to Care Leavers	Limited	5	5	
Danescourt Primary School	Limited	4	4	
ICT – Cloud Computing	Satisfactory			
CRSA – agile working	Satisfactory			
CRSA – mobile working and scheduling	Satisfactory			
CRSA – office rationalisation	Satisfactory			
Riverbank	No	15	15	
St. Alban's Primary School	Limited	4	4	
CRSA – infrastructure ADM	Satisfactory			
Staffed Accommodation (KD148)	Satisfactory			
Staffed Accommodation (KD152)	Satisfactory			
Glamorgan Archives	Satisfactory			
British Council projects	Limited	14	14	
ICT – Business Continuity and Disaster Recovery	Limited	7	7	
CMS – purchasing cards	Satisfactory			
Birchgrove Primary School	Limited	8	8	
Direct Payments – Social Services	Limited	3	3	
Fostering payments	Satisfactory	1	1	
Rhiwbeina Primary School	Limited	8	8	
Adamsdown Primary School	Limited	6	6	
Carbon Reduction Commitment	Satisfactory			
School transport	Satisfactory			
St. Illtyd's	Limited	19	19	
St. Joseph's Primary School	Limited	5	5	

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Corpus Christi	Limited	8	8	
Peter Lea Primary School	Limited	10	10	
Highways Maintenance	Limited	9	9	
ICT – Microsoft Exchange	Satisfactory			
ICT – end point security	Satisfactory			
ICT – Back up management	Satisfactory			
Stores - Joint Equipment Service	Satisfactory			
OD governance	Satisfactory			
Functions and Retail Catering	Limited	6	6	
Cardiff High	Satisfactory	1		
Citizen hubs – HR practices	No	6	6	
E-payslips	Satisfactory			
Eastern High	Satisfactory			Draft report issued
St. David's Primary School	Satisfactory	1		Draft report issued
St. Cuthbert's Primary School	Limited	2		Draft report issued
Mount Stuart Primary School	Satisfactory	1		Draft report issued
Grants / Accounts / External Bodies				
Illegal Money Lending Unit				
Homelessness grant				
Education Improvement grant				
Follow-ups				
Payroll overpayments	Limited	1	1	
Stores – Brindley Road	Limited	1	1	
Stores – Brindley Road	Satisfactory			
Mental Health contracts	Satisfactory	1	1	
St. Monica's Primary School	Limited	3	3	
Cantonian	Satisfactory	1	1	
Lansdowne Primary School	Limited	13	13	
Lansdowne Primary School	Satisfactory			Desk top review
Ninian Park Primary School	Satisfactory			
Woodlands	No	11	11	
Pen y Bryn Primary School	Satisfactory			
Supporting People	Limited	2	2	
Weighbridge	Satisfactory	1	1	
St. Alban's Primary School	Limited	4	4	
Glyn Derw Michaelston	Deferred			
Civil Parking Enforcement – PCN	Satisfactory			

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Youth Centre inventories	Limited	4	4	
Trowbridge Primary School	Satisfactory	1	1	
Bishop Childs Primary School	Satisfactory			
Riverbank	Limited	4	4	
Land Charges	Satisfactory			Draft report issued
All Saints Primary School	Limited	5		Draft report issued
Ad hoc Assignments				
CRSA – Schools				On-going
Financial Resilience				Draft report issued
Welsh Purchasing Consortium	Joint Committee statements for 2015/16 accounts			
Port Health	Joint Committee statements for 2015/16 accounts			
Glamorgan Archives	Joint Committee statements for 2015/16 accounts			
Prosiect Gwyrdd	Joint Committee statements for 2015/16 accounts			
<i>Mileage and subsistence</i>				
Contract query – Christmas tree				
Contract query – Fern Place				
Adopted Land				Draft report issued
WLGA – health check				
Value for Money studies				
Agency costs				
Annual Leave				
Heath Park operating contract (tennis and golf)				
Postage costs				
Final accounts				
Demolition of flats, Clevedon Road.				

Work Areas where a Standard Audit Report is not prepared

It is important to understand that much work undertaken within Audit will not have a report as an outcome. The following list is not exhaustive, but shows some areas where audit time and resources have been spent during the year without necessarily producing a report as an output.

Work Area	Brief Details of Audit Involvement
Efficiency / Change and other projects	Work providing advice and guidance to a number of programmes and projects. Audit Management attends meetings and working groups to input to risk assessments and system developments, especially where financial processes are involved.
Procurement and Spend	Auditors are engaged on procurement matters, attending working groups and providing input on risk management and controls. Also data gathering and challenging spend.
Alleged Fraud Investigation	The Investigation team is involved wherever there is any suspicion of fraud, bribery, corruption or financial malpractice. Where the task involves reviewing a financial system, an Auditor would also be assigned to provide assurance around controls to minimise any repeat. These are generally unplanned and can be time consuming. Given the nature of the referral and potential risks associated with any fraud continuing they require prioritisation, often to the detriment of other "planned" work. Allegations being investigated are summarised and reported regularly.
Grants	The demand for the audit of grant claims has further reduced as grant instructions delete this requirement and some grants are subsumed into the Council's main RSG.
Ad hoc Requests	Enquiries and assignments e.g. appointment of consultants, Invest to Save.
Schools - General	Specific problems in schools have required audit attention. Senior Management from Audit is now attending Governing Body meetings where a Limited or No Assurance opinion is considered. The embedding of CRSA should result in a better use of internal audit resources as assurance is obtained from the self assessments.
Directorates - general	Advice, guidance and training is provided to directorates on topics such as procurement systems and rules, DigiGOV and imprest accounts. Officers are also active members of service review groups, implementation boards, etc.
Rules and Regulations	Advice and guidance and sharing of best practice in many areas. General work around governance.
External Clients	Audit of clients' risks, systems and procedures (as per Terms of Reference). Audit of Accounts e.g. Tenants Federation, Glamorgan Archives. Provision of advice due to knowledge on risk management and controls.
Imprest (Petty Cash) Accounts	Advice, guidance, training and assisting in the reconciliation process.
Audit Committee	Advice, reporting and support – including induction training, work planning.

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Topic	Tuesday 20.06.17 at 2pm (CR4)	Monday 18.09.17 at 2pm (CR4)	Tuesday 28.11.17 at 2pm (CR4)	Tuesday 30.01.18 at 2pm (CR4)	Tuesday 27.03.18 at 2pm (CR4)	Tuesday 26.06.18 at 2pm (CR4)
				Audit Committee Self-Assessment Workshop Prior to the Meeting		
Wales Audit Office	Annual Audit Plan 2017	Annual Improvement Report			Annual Audit Plan 2018	Annual Improvement Report
		Audit of Financial Statement Report for City of Cardiff Council (ISA260)				
	Cardiff & Vale Pension Fund Audit Plan	Audit of Financial Statement Report - Cardiff & Vale of Glamorgan Pension Fund (ISA260)			Cardiff & Vale Pension Fund Audit Plan	
	WAO Activity Update	Report Progress Update	Report Progress Update	Report Progress Update	Report Progress Update	Report Progress Update
Treasury Management	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report
		Annual Report	Half Year Report			
				Draft Strategy '17-18	Treasury Mgmt Practices	
Finance	Financial Update including Resilience Issues	Financial Update including Resilience Issues	Financial Update including Resilience Issues	Financial Update including Resilience Issues	Financial Update including Resilience Issues	Financial Update including Resilience Issues
	Draft Statement of Accounts '16-17 (including the AGS)	Final Statement of Accounts for '16-17 (including the AGS)			Draft Statement of Accounts/AGS & report any changes in accounting policy	Draft Statement of Accounts '17-18 (including the AGS)
	WAO Tracker / Other Studies	WAO Tracker / Other Studies	WAO Tracker / Other Studies	WAO Tracker / Other Studies	WAO Tracker / Other Studies	WAO Tracker / Other Studies
Internal Audit	Progress Update	Progress update (to include Benchmarking & Comparative Data Matching)	Half Yearly Progress Report	Progress Update	Progress Update	Progress Update
	Internal Audit Annual Report '16-17			Draft Audit Charter '18-19	Audit Charter '18-19	Internal Audit Annual Report '17-18
Governance and Risk Management				Audit Committee Annual Report Discussion '17-18	Audit Committee Draft Annual Rep. '17-18	Audit Committee Annual Rep. '17-18
	Senior Management Assurance Statement Review – Feedback – Final Position		Senior Management Assurance Statement Review			Senior Management Assurance Statement Review – Feedback – Final Position
				AGS '17-18 Action Plan (Mid-Year)	Draft AGS '17-18	
	Corporate Risk Register (Year-End) [to include Corporate Risk Map]		Corporate Risk Register (Mid-Year) [to include Corporate Risk Map]		Risk Management Interim Update [to include Corporate Risk Map]	Corporate Risk Register (Year-End) [to include Corporate Risk Map]
					Audit Committee Self-Assessment Feedback/Action Plan	
Operational matters / Key risks		Education Annual Report on School Governance (including Balances) and Deficits				

Mae'r dudalen hon yn wag yn fwriadol

Audit Committee Action Plan

(Updated following meeting held on 14 March 2017)

Minute No. /Agenda No.	Actions	Timeline	Action Owner
Finance (Budget)			
14.03.17	Accounting Policies Update Members sought clarification on the full impact of the proposal to change IFRS 9 Financial Instruments from 2018/19, and in particular the effect this would have in terms of the valuation of Cardiff Bus. Officer agreed to assess the proposal and its likely impact and report back to a future meeting of the Committee	27.03.18	Anil Hirani
29.11.16	Social Services Financial Position In terms of the Integrated Service/Financial Strategy, members requested that the finalised proposals be presented to the Audit Committee once approved by Cabinet. The Corporate Director gave an undertaking to facilitate this.	18.09.17	C Salter/ I Allwood
Governance & Risk Management			
14.03.17	Corporate Risk Register Members suggested that the risks relating to 'ICT Platforms Unsuitable/Outdated' and 'Failure to Reduce the Cost of Delivering Social Services' be amended.	20.06.17	I Allwood
14.03.17	The presentation to SMT in respect of the refreshed SMAS process to be circulated to Audit Committee. <i>Sent 24.03.17</i>	Completed	I Allwood
Wales Audit Office (WAO)			
14.03.17	The Head of Finance to circulate the core cities benchmarking data to Members of the Committee. <i>Sent 15.03.17</i>	Completed	I Allwood
WAO Tracker/Other Studies			
Internal Audit			
14.03.17	Future new member induction training will include a briefing on Internal Audit's risk based methodology; induction training to include independent members of Audit Committee.	To Be Determined	I Allwood
14.03.17	Members commented on both the allocation of days for Value for Money studies and Social Services in respect of governance and decision making. As reported at Audit Committee, the Audit Plan will be periodically reviewed during the year and any changes reported at future meetings as part of the Audit Progress Update.	20.06.17	I Allwood
14.03.17	Audit Committee Annual Report The Audit Committee Annual Report 2016/17 be approved.	Completed	
Treasury Management			
24.01.17	Officers agreed to provide a comparison of maturity analysis profiles with other local authorities.	28.11.17	C Salter/ A Hirani
24.01.17	A Hirani to reflect on the merits of a trigger points approach to balancing investments with treasury management advisors and will report considerations back to committee.	30.01.18	A Hirani

Minute No. /Agenda No.	Actions	Timeline	Action Owner
Published Scrutiny Letters			
Operational Items			
Outstanding Actions			
19.09.16	<p><u>Director Strategic Planning & Highways – Response to Internal Audit Report</u></p> <p>A further report providing evidence that the Committee’s earlier recommendations have been addressed be presented to a future meeting.</p>	18.09.17	A Gregory