



County Hall
Cardiff
CF10 4UW
Tel: (029) 2087 2000

Neuadd y Sir
Caerdydd
CF10 4UW
Ffôn: (029) 2087 2000

AGENDA

Pwyllgor	PWYLLGOR ARCHWILIO
Dyddiad ac amser y cyfarfod	DYDD MAWRTH, 27 MAWRTH 2018, 2.00 PM
Lleoliad	YSTAFELL BWYLLGORA 4 - NEUADD Y SIR
Aelodaeth	Ian Arundale (Cadeirydd) Hugh Thomas, Gavin McArthur a/ac David Price Cynghorywr Bale, Cowan, Cunnah, Howells, Lay, McGarry, Dianne Rees a/ac Singh

*Tua
Amser.*

1 Ymddiheuriadau am Absenoldeb

Derbyn ymddiheuriadau am absenoldebau.

2 Datgan Buddiannau

Dylid gwneud hyn ar ddechrau'r eitem agenda dan sylw, yn unol â'r Cod Ymddygiad Aelodau.

3 Cofnodion (*Tudalennau 5 - 16*)

Cymeradwyo cofnodion y cyfarfod a gynhaliwyd ar 30 Ionawr 2018 fel gwir gofnod.

4 Materion Gweithredol

- | | | |
|-----|--|---------|
| 4.1 | Diweddariad ar yr Amgylchedd Rheoli Mewnol (<i>Tudalennau 17 - 22</i>)
Neil Hanratty, Cyfarwyddwr Datblygu Economaidd | 2.05 pm |
| 4.2 | Safonau Archwilio Mewnol y Sector Cyhoeddus (<i>Tudalennau 23 - 42</i>)
Adroddiad Adolygiad Cyfoedion Marc Crumble, Prif Weithredwr
Archwilio, RCT | 2.25 pm |

5	Cyllid	
5.1	Diweddariad ar Gyllid (gan gynnwys materion gwydnwch ariannol) (<i>Tudalennau 43 - 50</i>)	2.45 pm
5.2	Datganiad Cyfrifon Drafft/AGS ac adrodd unrhyw newidiadau yn y polisi cyfrifyddu (<i>Tudalennau 51 - 92</i>)	2.50 pm
6	Llywodraethiant a Rheoli Risg	
6.1	Y Datganiad Llywodraethu Blynyddol Drafft 2017-18 (<i>Tudalennau 93 - 112</i>)	3.15 pm
6.2	Cofrestr Risgiau Corfforaethol Diweddariad Ch3 (i gynnwys Map Risgiau Corfforaethol) (<i>Tudalennau 113 - 136</i>)	3.25 pm
7	Swyddfa Archwilio Cymru	
7.1	Cynllun Archwiliad Blynyddol 2018 (<i>Tudalennau 137 - 166</i>)	3.30 pm
7.2	Cynllun Blynyddol Cronfa Bensiwn Caerdydd a'r Fro (<i>Tudalennau 167 - 180</i>)	3.35 pm
7.3	Diweddariad ar Weithgareddau SAC/Cynnydd Adroddiad – diweddariad ar lafar os oes angen	3.40 pm
8	Teclyn Olrhain Swyddfa Archwilio Cymru/Astudiaethau Eraill	
9	Rheoli'r Trysorlys	
9.1	Adroddiad ar Berfformiad (<i>Tudalennau 181 - 186</i>)	3.50 pm
9.2	Arferion Rheoli'r Trysorlys (<i>Tudalennau 187 - 254</i>)	3.55 pm
10	Archwiliad Mewnol	
10.1	Tîm Archwilio Mewnol (<i>Tudalennau 255 - 396</i>)	4.05 pm
10.2	Tîm Ymchwilio (<i>Tudalennau 397 - 400</i>)	4.15 pm
10.3	Siartr Archwilio Fewnol Derfynol 2018-19 a Chynllun Archwilio Terfynol 2018-19 (<i>Tudalennau 401 - 422</i>)	4.20 pm
10.4	Polisi Twyll, Llwgwobrwyo a Llygru 2017 (<i>Tudalennau 423 - 444</i>)	4.25 pm
11	Gohebiaeth Graffu	4.30 pm
12	Camau sydd eto i'w Cyflawni	
13	Diweddariad ar y Rhaglen Waith (<i>Tudalennau 445 - 446</i>)	

14 Materion Brys

15 Dyddiad y Cyfarfod Nesaf

Caiff y cyfarfod nesaf ei gynnal ar 26 Mehefin 2018
(yn amodol ar gyfarfod y Cyngor Llawn ar 24 Mai 2018)

Davina Fiore

Cyfarwyddwr Governance a Gwasanaethau Cyfreithiol

Dyddiad: Dydd Mercher, 21 Mawrth 2018

Cyswllt: Graham Porter,

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

Mae'r dudalen hon yn wag yn fwriadol

AUDIT COMMITTEE

30 JANUARY 2018

Present: Ian Arundale(Chairperson)
Gavin McArthur, David Price, D. Hugh Thomas

County Councillors Bale, Cowan, Cunnah, Howells, Lay,
Dianne Rees and Singh

56 : APOLOGIES FOR ABSENCE

Apologies were received from Councillor McGarry.

57 : DECLARATIONS OF INTEREST

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

Councillor Howells	Item 6	School Governor
Councillor Cowan	Item 6.2	Chairman of Governing Body Greenhill School

58 : MINUTES

The minutes of the meeting held on 28 November 2017 were approved by the Committee as a correct record and were signed by the Chairperson.

59 : OPERATIONAL MATTERS

At its meeting on 28 November 2017 the Committee requested that it receive an update on governance and control in Social Services. The update was also to provide assurance on the implementation of the recommendations made by Internal Audit.

The Committee received a report summarising the service area's management and mitigation against both Directorate and Corporate risks; an overview of the assurances set out in the Senior Management Assurance Statement; and details of the monitoring and implementation of recommendations made in reports received from Internal Audit.

The Chairperson welcomed Tony Young, Director of Social Services, to the meeting. Members were invited to raise questions or comment on the information set out in the report. Those discussions are summarised as follows:

- Members asked whether the Directorate has key risk indicators and how they are used. The Director stated that the Directorate has a long list of key performance indicators, as required by legislation such as the Social Services and Wellbeing Act. Members were advised that most of the indicators are new as the previous regime has been replaced. Therefore, in the short-term, it is more difficult to benchmark but this will improve in future years. The performance indicators are

wide-ranging and sophisticated.

- A Member asked whether there were any linkages between the indicators and the Directorate and Corporate Risk Registers. The Director confirmed that the indicators apply to a wide-range of interrelated issues. For example, an indicator relating to child protection conferences is linked to the Safeguarding risk on the Corporate Risk Register.
- A Member asked whether a potential risk related to a recent Court ruling in which the Court ruled that carers should be paid minimum wage for 'sleepover' hours and for such payments to be backdated. The Director stated that this risk has been taken account of in terms of financial planning.
- Members asked the Director to comment on the quality and relevance of the recommendations in Internal Audit reports. The Director stated that the directorate works in tandem with colleagues in Internal Audit and that the quality of the reporting is good and is challenging. Discussions primarily centre upon timing or timescales, rather than concerns about whether recommendations are to be delivered. The Director advised that the directorate's management teams take ownership of, and are responsible for, delivering Internal Audit recommendations. The Director confirmed that he is personally aware of the content of reports which are also kept under regular review.
- Members were advised that there is one Risk Management Structure for the Social Services directorate and there are no 'sub-structures' within each team in the directorate.
- Members asked the Director to comment on the transition arrangements in terms of the senior management structure. Members were advised that the process of recruitment is ongoing. The Director will meet with the appointed individual at an early stage to discuss handover arrangements and ensure stability and continuity.
- A Member asked whether any additional support was in place throughout the transformation period. The Director indicated that the Institute of Public Care was providing assistance and advice in four areas: Community Rehabilitation – re-ablement; Accommodation Strategy for Older People; Adult Services – assessment; and the development of a regional strategy for children with learning difficulties.
- Responding to a question from a Member of the Committee concerning the process for testing and challenging his statutory Annual Report, the Director confirmed that the directorate recognises that challenge from third sector partners was not working well and this needs to be tackled differently.
- The Head of Finance agreed to review advice in respect of appendices exempt from publication.

RESOLVED – That the report be noted.

Finance

60 : FINANCE UPDATE INCLUDING RESILIENCE ISSUES

The Committee received an update on the Council's financial position. The Corporate Director Resources presented the report.

The report included a summary of the Month 6 monitoring position. A balanced position was reported at Month 6 and it was not anticipated that the position would change significantly. A further report, which will detail the Month 9 monitoring position will be received by the Committee on 27 March 2018.

The Month 6 revenue monitoring position showed a balanced position against the budget, and an improvement of £883,000 compared to the Month 4 position. The improvement reflected management actions introduced to control expenditure together with in-year targeted savings. There was also a further increase in NDR refunds on Council properties.

Directorate budgets were projected to be overspent by £4.956 million with overspends in Social Services, Economic Development and Education and Lifelong Learning. These were partly offset by underspends and by the £3.0 million general contingency budget provided as part of the 2017/18 budget.

Members were further advised that November's Budget Consultation Report identified a budget gap of £22.8 million for 2018/19. The report set out the 2018/19 budget proposals for consultation and included savings of £14.3 million. Consultation on the budget proposals ran from 2 November to 14 December 2017 and the results have been analysed for Cabinet to consider.

The Welsh Government's Final Local Government Settlement was announced on 20 December 2017. It set out a cash increase of 0.9% for Cardiff, equating to an additional £3.080 million cash improvement on the provisional settlement. Members were asked to note, however, that taking into account additional new responsibilities, the cash position is eroded to £2.426 million. Further clarity is still required in relation to specific grant information, notably the Education Improvement Grant.

Members were advised that the budget reduction requirement is undergoing further review. The final draft proposal will be presented at Cabinet on 15 February 2018, for subsequent consideration and approval by Council. The Corporate Director Resources agreed to circulate a link to the Cabinet report to all Members of the Committee as soon as it is available.

Members sought clarification of the additional new responsibilities referred to in the report. Officers indicated that the new responsibilities related to Homelessness Prevention and an increase in the cap at which citizens start to pay for residential care.

RESOLVED – that the financial information and the process being adopted in respect of budget preparation for 2018/19 and the medium term be noted.

61 : NEW FINANCIAL PROCEDURE RULES AND NEW CONTRACT
STANDING ORDERS AND PROCUREMENT RULES

The Committee received for information a report on the update of the Council's Financial Procedure Rules and Contract Standing Orders and Procurement Rules that is currently underway.

Members were advised that the Financial Procedure Rules and Contract Standing Orders and Procurement Rules were last subject to a full review over five years ago. It is important that both documents are fit for purpose and reflect the current statutory and best practice requirements. Officers from Resources and Governance and Legal Services have reviewed and updated the provisions within each document.

The Committee received presentations on the review of the documents, highlighting the key changes.

The Chairperson advised that Members of the Committee are to be consulted and given an opportunity to comment on the proposed revisions to these documents.

RESOLVED – That the report be noted.

Internal Audit

62 : PUBLIC SECTOR INTERNAL AUDIT STANDARDS

The Head of Finance presented a report on the Public Sector Internal Audit Standards (PSIAS). Members were advised that PSIAS require that external assessments must be conducted at least once every five years by a qualified independent assessor. Cardiff's assessment was carried out by the Chief Audit Executive of RCT and the report provided Members of the Committee with an update on the assessment.

The Chief Audit Executive from RCT met with various officers from the Internal Audit Section and reviewed the supporting information provided to him. The assessment considered that the narrative produced as part of the self-assessment was comprehensive, with references to documentary evidence to support the assessment. The self-assessment had already identified areas where improvements could be made. The Chief Audit Executive of RCT agreed that these were not considered to be significant deviations from the PSIAS.

The assessment identified a small number of points to be considered further. The Chief Audit Executive will present the report to the Committee at the meeting in March 2018.

63 : INTERNAL AUDIT PROGRESS REPORT 2017/18

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 following declarations of interest were declared in accordance with the Members' Code of Conduct:

*Councillor Cowan
Councillor Howells*

*Chair of Greenhill School Governors
School Governor*

The Committee received the Internal Audit Progress Report 2018/19. The report was prepared to provide Members with an update on the work of the audit team as at 31 December 2017.

The Head of Finance presented the report and summarised some of the key points. Members were advised that to date 34% of the audit plan has been completed, and a further 53% would be completed by the end of the financial year. Progress to date shows that 44% of the recommendations agreed have been implemented. There were no unsatisfactory audits as yet.

A further report on completed audits would be presented at the March meeting of the Committee.

A Member asked whether an increase in thresholds, requiring a greater onus on assurance, was an issue for audit planning. The Head of Finance stated that there were links to the Audit Plan. The Member considered that if the Audit Committee was assured that the Internal Audit functions are operating properly then there is no reason why thresholds could not be set much higher. The Head of Finance noted that the consultation on Financial Procedure Rules and Contract Standing Orders gave the opportunity for that comment to be given and for it to be considered.

RESOLVED – That the report and the proposed changes to the Audit Plan for 2017/18 to address the shortfall in audit days be noted.

64 : INVESTIGATION TEAM

The Committee received an update report from the Internal Audit Investigations Team.

Members were asked to note that the CIPFA Count-fraud Benchmarking Club compared data from a number of local authorities. The Cardiff Count-fraud function cost per £m gross turnover is £125 compared to the group average of £175. The number of investigations completed during 2017/18 exceeds the total for the same period last year.

There are currently 37 ongoing investigations, 54% of which related to Council Tax Liability. Other investigations are primarily related to employees and ongoing disciplinary matters and potential suspected fraud.

RESOLVED – That the report be noted.

65 : DRAFT INTERNAL AUDIT CHARTER 2018/19 AND DRAFT AUDIT PLAN 2018/19

The Committee received the draft Internal Audit Charter for 2018/19 and the draft Audit Plan for 2018/19. Members were asked to consider the documents and provide comments.

The Head of Finance advised that the amendments to the Internal Audit Charter were set out in Annex 1 of the report. Comments on the report were invited from Members of the Committee.

Referring to paragraph 6 of the Internal Audit Charter, a Member suggested that the phrase 'All employees are requested' be amended to 'All employees are required'. This would strengthen the Charter and ensure staff are aware that they are required to assist internal audit. The Head of Finance agreed to amend the Charter accordingly.

The Committee noted that the Internal Audit Strategy included at Appendix D to the report included a list of objectives relating to the delivery of the Internal Audit function. It was suggested that consideration be given to how those objectives may be measured.

Members also requested stronger evidence that the identification of future Internal Audit Plan priorities are linked to risk management.

The Head of Finance welcomed the comments and feedback from the Committee.

RESOLVED – That the report be noted.

Governance and Risk Management

66 : SENIOR MANAGEMENT ASSURANCE STATEMENT REVIEW

The Committee receive a report providing a summary of the completed Senior Management Assurance Statements (SMAS's) for the mid-year position in the financial year 2017/18.

Members were advised that each Director considered their position against 23 assurance statements. These final directorate positions were informed by engagement with and review by their respective members of their management teams. The results of the statements summarised within 9 categories were appended to the report at Appendix A. The results indicate an overall 'strong' application of good governance across assurance areas.

RESOLVED – That the report be noted.

67 : AGS 2017/18 ACTION PLAN (MID YEAR)

The Head of Finance presented an update report on the Annual Governance Statement (AGS) 2017/18 Action Plan (Mid-Year). Members were reminded that in May 2017 the Senior Management Team agreed to carry forward three governance issues forward to the 2017/18 action plan. The three issues were:

- Capacity and Decision-making
- Commissioning Capability and Capacity
- Relevant Costs and Decision-Making

In addition, two further governance issues were identified during the self-assessment process, namely:

- Partnership Collaborative Governance
- Robust and Sustainable Saving

The report provided a description of each of the governance issues and their mid-year assessment.

RESOLVED – That the report be noted.

68 : DRAFT CODE OF CORPORATE GOVERNANCE

The Committee received a report on the draft Code of Corporate Governance. Members welcomed Davina Fiore, Director of Legal, Governance and Monitoring Officer to the meeting.

Members were advised that the authority is taking the opportunity to regularise its governance arrangements by putting in place a Code of Corporate Governance. This Code is a benchmark that can be used to promote undertaking and engagement as one of the key principles of local government. This Code has been developed in three parts: how we apply principles of good governance; how we assess governance in Cardiff Council; and how we use our governance assessment.

Part 1 of the Code sets out seven good governance principles and includes a statement of intent and an explanation of how each principle is to be applied. Part 2 sets out the approach to gathering the relevant information upon which to reach a corporate position on the health of governance in the Council. Part 3 sets out how the Annual Governance Assessment is used to make any necessary improvements as a result of the assessment, to track these improvements, and ensure that functions of assurance have regard when undertaking assessments.

The Director invited comments on the draft Code of Corporate Governance. Those discussions are summarised as follows:

- Members welcomed the draft Code of Corporate Governance.
- A Member asked whether complaints could be referred to an independent Q.C. The Monitoring Officer advised that complaints against Members were likely to be referred to the Ombudsman. Complaints against officers are considered against the Officers Code of Conduct and the terms of their contract of employment.
- It was noted that the Whistleblowing Policy did not apply to elected Members. The Monitoring Officer accepted this point and stated that the Whistleblowing Policy was primarily used by junior members of staff.
- Members considered that in terms of openness and stakeholder engagement great value and importance is placed on the webcasting of meetings.
- Members considered that officer disclosure requirements in terms of hospitality and declarations of interest need to be aligned with the policies for Members and

that the registers should be made publicly available. The Committee was advised that the Standards and Ethics Committee has included this issue on its work plan.

RESOLVED – That:

- (1) The report and the Committee's comments thereon be noted;
- (2) the Constitution Committee and full Council to agree the Code of Governance and include it in the Constitution.

69 : DRAFT RISK MANAGEMENT STRATEGY

Following a review of the Council's approach to risk management during 2017, the Committee received a report on a revised Draft Risk Management Strategy and Policy and Members were asked to review their adequacy and effectiveness, prior to their implementation in April 2018.

The Chairperson welcomed Vivienne Pearson, Operational Manager, Governance and Risk, to the meeting. Vivienne Person was invited to present the report.

Risk Management is a key component of corporate governance and can help prioritise attention and ensure considered decision-making in times of continued resource restrains. The Council's renewed approach to risk management has been a collaborative process which has taken into account the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; the views of the Senior Management Team; and feedback from the authority's insurance brokers.

Members were advised that the revised approach to risk management seeks to set out a sustainable approach to risk management by moving towards an 'enterprise-wide risk appetite' designed to enable the delivery of innovation and change with effective governance and stewardship. The framework will support the delivery of organisational change over the medium and longer term, whilst embedding the risk aware philosophy into actions, activities and thinking.

The Draft Risk Management Strategy sets out the Council's aims relating to the management of risks. The Draft Risk Management Policy sets out the key principles; improved guidance; improved risk analysis; improved risk reporting; improved risk response; and improved monitoring and review.

The Chairperson invited comments from the Committee. Those discussions are summarised as follows:

- Members were broadly supportive of the revised Strategy and Policy.
- Officers were asked to explain the link between risk appetite and risk tolerance. Members were advised that this was a new concept which is seeking to push boundaries. In key areas it was noted that even with 'red' risk it is still okay to make decisions. This was felt to be an ambitious approach and as such h a Member recommended that it be piloted in some service areas first, before being

introduced authority-wide.

- Members noted that a lot of data supporting the risk management regime was processed through spreadsheets. Members requested that officers consider introducing a genuine risk management software system. The Operational Manager accepted the point and indicated that this would meet with the service area's own aspirations.
- Members were interested to see evidence of directorates using key risk indicators in the risk management assessments going forward.
- A Member suggested that the improved use of balanced scorecard methodology would improve the authority's ability to communicate.

RESOLVED – That:

- (1) The draft Risk Management Strategy and Policy be noted;
- (2) The Committee's comments be noted in advance of the final version being approved by Cabinet.

70 : WALES AUDIT OFFICE ACTIVITY/PROGRESS REPORT UPDATE

Sara-Jane Byrne presented an update re the Wales Audit Office performance audit work programme 2017/18.

Referring to item 3 and item 4 in the update report - the Service User Perspective Review and Welsh Housing Quality Standard Review – Members asked whether there have been any difficulties undertaking the surveys and whether the surveying with target vulnerable groups. Sara-Jane Byrne stated that she would address this point with officers. It was accepted that a telephone survey may not be the best method to employ when trying to reach vulnerable groups.

In terms of update, Members were advised that WAO are seeking a small sample and the commissioned organisation will calculate what that sample will be. Several sampling mechanisms will be used (including telephone) in engaging with housing tenants.

Members were advised that WAO are conducting a review centred how the Council is preparing for the new Data Protection Bill due to be introduced in April 2018.

A Member asked what WAO was planning to do to address issues around private sector housing stock that fails to meet the Wales Housing Quality Standard. The Committee was advised that there are arrangements and controls in place to scrutinise such issues through the Planning regulatory framework.

A Member raised concerns regarding the failure to invest in building assets across the authority's estate and the associated safety risks. The Member questioned how best to ensure that the authority was proactive in addressing this issue. Members were advised that WAO were seeking to follow up on the Local Government studies

on the impact of austerity on Regulatory Services – in particular Environmental Health. Cardiff will be consulted and will have an opportunity to input into the future programme. The programme of works will be changing and potential options include the contracting out of leisure services; corporate safeguarding; and Environmental Health.

RESOLVED – That the report be noted.

Treasury Management

71 : 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 position statement at 31 December 2107.

RESOLVED – That the report be noted.

72 : DRAFT STRATEGY 2018/19

The Committee received a report on the draft Treasury Management Strategy for 2018/19. The proposed Strategy was required to be approved as part of the 2018/19 Budget Report to Council in February 2018. The draft Strategy was appended to the report.

Anil Hirani, Operational Manager, Capital and Treasury was invited to present the report. Members were advised that strategy takes account of the 2017 update to the CIPFA Treasury Management Code and the existing Welsh Government guidance on investments. Additional borrowing has been assumed to invest in the condition of assets, the Council's contribution to City Deal and the 21st Century Schools Band B programme of improvement across the school estate.

Members were asked to note that whilst many of the indicators in the Strategy are dependent on the final Capital Programme which will be determined by the Council in February 2018, there are unlikely to be significant changes in the proposed Capital Programme.

The report summarised of the main points of note in the Strategy.

The Chairperson invited comments on the draft Strategy.

- Members questioned how much the authority was seeking to borrow to finance the 21st Century Schools Band B proposals and the payback period. Officers advised that the total cost of the proposals was £244 million. The Council is borrowing £122 million and the financial model assumed a 25-year payback

period. These calculations assumed at interest rate of 3%.

- A Member referred to paragraph 46 of the strategy. In 2016/17 the internal borrowing requirement for Welsh Unitary Authorities averaged 11.3% of their Capital Financing Requirement, whilst for English Unitary Authorities it was 20.9% and 13.5% for all authority clients. Members were asked to note that the context in England is very different as local authorities have the ability to raise more funds locally and therefore their ability to service debt is very different. The Member considered that this needed to be reflected in the Strategy.
- Members were advised that Cardiff is near its cap in terms of Housing Revenue Account borrow. Officers stated that the cap is set across all Welsh Authorities and negotiations were ongoing with the Welsh Government with a view to reallocating the cap.

RESOLVED – That:

- (1) The Committee notes the report;
- (2) Subject to comments and amendment, the Strategy be considered by the Cabinet, prior to approval by the Council as part of the 2018/19 Budget Proposals Report.

73 : SCRUTINY CORRESPONDENCE

The Committee received a letter from Councillor Chris Weaver, Cabinet Member for Finance, Modernisation and Performance in response to the Committee's letter setting out the Committee's concerns to the draft savings proposals and their impact on the Internal Audit function. It was agreed to make the letter publicly available.

74 : OUTSTANDING ACTIONS

RESOLVED – That the Committee's Outstanding Actions be noted.

75 : WORK PROGRAMME UPDATE

RESOLVED – That the Committee Work Programme be noted.

76 : URGENT BUSINESS

No urgent items were presented.

77 : DATE OF NEXT MEETING

The next meeting of the Committee is scheduled to take place on 27 March 2018.

The meeting terminated at 4.30 pm

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

Mae'r dudalen hon yn wag yn fwriadol

AUDIT COMMITTEE: 27 March 2018

ECONOMIC DEVELOPMENT DIRECTORATE: UPDATE ON INTERNAL CONTROL ENVIRONMENT

REPORT OF DIRECTOR ECONOMIC DEVELOPMENT

AGENDA ITEM: 4.1

Reason for this Report

1. This report has been provided in response to the Audit Committee's request for an update on governance and control in the Economic Development Directorate. This update is also to provide assurance on the implementation of the recommendations made by Internal Audit.

Background

2. Cardiff Council's Economic Development Directorate has responsibility for a wide and complex range of statutory duties, functions and services. The Directorate manages the Council's Economic Development team, Major Projects, Property and Estate Management, Culture, Venues and Events teams, City Centre Management team, Tourism and the new Commercial & Collaboration Services which includes Recycling Waste Management and Facilities Management of buildings in the Council estate. Despite a broad range of services offered, the Directorate is concerned with managing risk at the level of strategy development, operational delivery, and the quality of services to residents, visitors and businesses. To support this challenging agenda, the directorate currently employs 940 FTEs. To illustrate the scale and variety of activities provided, here is a list of the strategic priorities progressed during 2017/18:

Attract more and better jobs:

- Supported the creation of 4,518 jobs
- Construction commenced on 366,000 sq. ft. of grade A space.

Attract more visitors that stay longer:

- Cardiff successfully delivered the UEFA Champions League final 2017, the biggest sporting event ever hosted in Wales
- Cardiff Bay hosted 250,000 football fans who visited the Champions League Festival.

Continue the regeneration of the city centre and Cardiff Bay:

- Final negotiations are ongoing regarding the delivery of the new bus station with Welsh Government and the developer.

Commercialise key Council service to increase gross income:

- Implementing a new Corporate Landlord Model leading on all non-domestic property matters.

- The implementation of commercial improvement plans in Building Services and Cleaning are ongoing. Commercial improvement plans are also being developed for the Security and Pest Control Services. Savings opportunities of £1m have been identified with £475k expected to be delivered in 2017/18.

Achieve the statutory recycling/landfill diversion targets (58%):

- The new Lamby Way HWRC is open and operating well
- Achieving the statutory recycling target continues to be a significant challenge. The non-validated recycling result for quarter two was 61.11% which is meeting the Corporate Plan target of 61% (statutory target of 58%).

Continue to rationalise and modernise the Council's estate:

- The Council is on track to meet the targets in the 5 year Property Strategy
- The new Corporate Land & Property Management Plan 2018/19 has been agreed.

Issues

(a) Management / mitigation of the Directorate's risks on the Corporate Risk Register

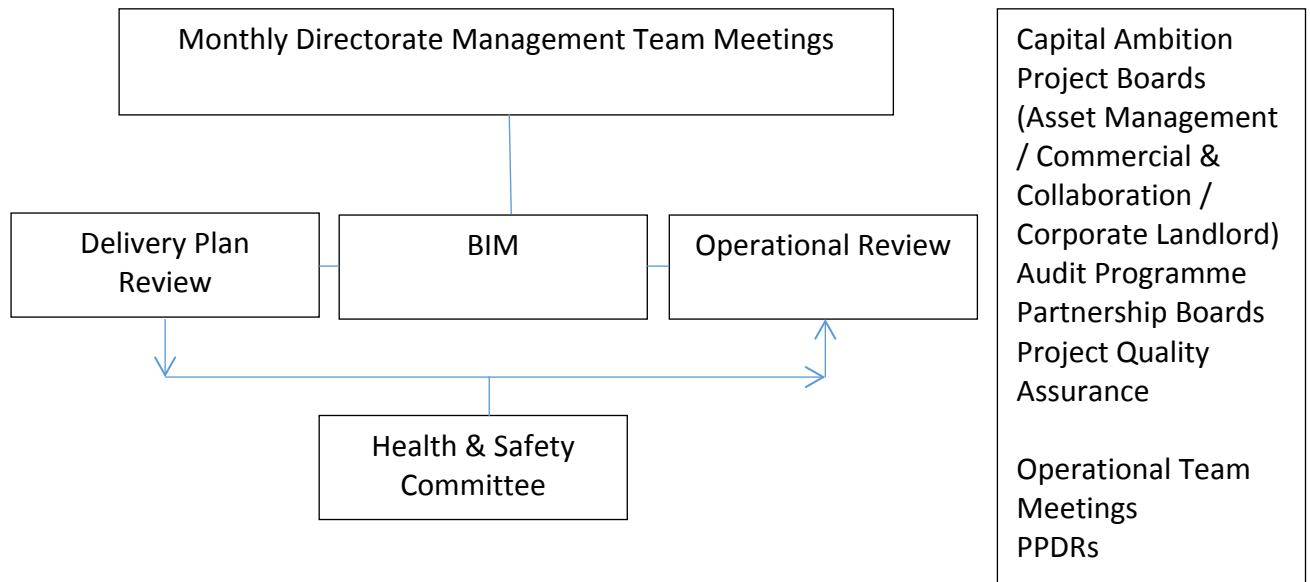
The Directorate has developed a clear structure and process for managing and monitoring strategic and operational risks related to its responsibilities and commitments and these are set out below.

Directorate Delivery Plan – the Directorate sets out key strategic and operational activities aligned to the Capital Ambition Delivery Plan. Consideration is given to resources required to deliver projects and initiatives along with associated risks.

Risk Registers - risks managed by the Directorate are detailed on the risk registers and are monitored and reviewed by management team. Strategic risks have been identified and are monitored and reviewed quarterly on the Corporate Risk Register. Risks associated with the delivery of corporate commitments and operational activities have been identified and are monitored and reviewed alongside the quarterly performance reporting arrangement and at regular Capital Ambition project boards.

Quarterly Performance Review - Directorate performance is monitored and reviewed by management team on a quarterly basis and updates are used to feed into a quarterly review of both Corporate and Directorate Risk Registers. Management team consider progress made to deliver key commitments and projects and an evaluation is undertaken to determine the extent to which risks have been mitigated and any further action required to manage down risk ratings accordingly. Risk management is a standing item and documented at regular directorate management team meeting such as monthly BIMs in Projects, Design & Development, Central Transport Services and Total Facilities Management and, quarterly performance management reviews. At these meetings, managers will identify emerging risk and discuss the management of current risks regarding the delivery of corporate and operational activities.

The monthly management team meeting quarterly review cycle is shown below, which also includes the quarterly Health and Safety Committee:



Current Corporate Risks

Four Economic Development risks are captured on the Corporate Risk Register:

Asset Management - Ensure effective operation of the Council's Asset Management Board to achieve effective strategic oversight and identified savings. This risk is managed in accordance with the approved Corporate Asset Management Plan, governance framework for Capital Ambition Programme Board chaired by the Chief Executive. The current cost of operating the property estate is the second largest call on the Council's budget, after staff, at around £50m per annum, including planned maintenance. There is also a growing maintenance backlog. The Council will focus on reducing the cost of ownership of the operational property by rationalising the estate and by improving the quality of buildings that are retained. An important part of this agenda will involve improving co-operation around property with partners.

Waste Management - Failure to achieve targets for Landfill. The dual requirements of achieving the statutory minimum recycling target of 58% and delivering the step change to the next target of 64% by 2019/20 continues to be a significant challenge. This risk is managed in accordance with the approved Waste Strategy, Commercial and Collaboration Board and Capital Ambition Programme Board chaired by the Chief Executive. To mitigate this risk the Council are constantly evaluating the impacts and have put in place measures to improve performance. To improve quality at the Materials Recycling Facility (MRF) a plastics autosorter will be coming into operation in quarter 1 in 2018/19. The proposed waste strategy includes changes to require glass separation at source. It is anticipated that the new mattress, tyre and skip services will contribute to an improved recycling performance in the latter part of 2017/18. The next Recycling Strategy is currently being developed and will be presented to Cabinet in March. The strategy will seek to address in-year financial pressures regarding glass quality and market costs through separate collections. It will also contain additional measures to improve recycling performance in 2018/19 onwards.

Non-completion of Statutory Building Equipment maintenance - this risk is managed under the newly created Health & Safety Board chaired by the Chief Executive, Corporate Landlord Programme and will report to the Capital Ambition Programme Board. Significant progress has been made to mitigate this risk including the procurement of RAMIS Statutory Obligation Compliance software system to provide a central governance system for statutory

maintenance. A programme of school audits has been completed to understand the overall Statutory Building Equipment maintenance compliance of each school and the audit findings are now being entered onto RAMIS to prioritise future planned and preventative maintenance visits. A programme of school audits has been completed to understand the overall Statutory Building Equipment maintenance compliance of each school and the audit findings are now being entered onto the RAMIS (Health & Safety risk management tool) to prioritise future planned and preventative maintenance visits. Non-Schools operational estate health and safety audits commenced in Quarter 4. In addition, work has commenced on a draft Landlord/Occupancy Agreement template, full roll out is expected by April 2018. This will set out principle occupant and landlord responsibilities and Permission for Works arrangements required.

Fire Safety Arrangements in Council Owned Buildings - this risk has been developed in response to the major incident at Grenfell Tower in London. The Council is working with Welsh Government and other regulators to ensure that any updated guidance is taken into account in considering any impact on relevant buildings across the whole of the Council's estate and robust fire safety arrangement are in place for operational buildings including schools. The risk is managed under the newly created Health & Safety Board chaired by the Chief Executive, Corporate Landlord Programme and will report to the Capital Ambition Programme Board.

(b) Senior Management Assurance Statement

The Directorate Management Team is actively engaged in the review of the Directorate Senior Management Assurance Statement. Overall there is a strong application of governance and controls across the directorate and there is an improved position in terms of risk identification and management since the end of 2016/17 following the development of service risk registers for all teams across the directorate and implementation of the Corporate Landlord model.

With regard to controls around fraud prevention and detection, the Directorate works proactively with Internal Audit to agree a schedule of audits throughout the year or as required. Records of investigations are retained to evidence the implementation of the Fraud, Bribery & Corruption Policy and the Disciplinary Policy and regular stocktaking takes place in Waste Management to prevent and detect losses.

(c) Monitoring / implementing recommendations made in Internal Audit reports

Audit	Status	Assurance Rating	No. of Recommendations	No. Implemented
Payroll	Final report issued	Effective with opportunity for improvement		
Commissioning and Procurement	Draft report issued	Effective with opportunity for improvement		
Governance	Draft report issued	Effective with opportunity for improvement		
Effective Decision Making	Draft being reviewed			
Capital Cardiff Fund	Final report issued	Insufficient with major improvement needed	7	Update not yet due

Norwegian Church Trust Accounts (2015/16 and 2016/17) *	Draft report issued			
Commercial Services	Fieldwork on-going			
FMIT system	Draft report issued			

* - assurance opinion not given on audits of accounts

RECOMMENDATIONS

1. That the Committee notes the contents of the report.

NEIL HANRATTY
DIRECTOR OF ECONOMIC DEVELOPMENT
27 MARCH 2018

Mae'r dudalen hon yn wag yn fwriadol

**AUDIT COMMITTEE: 27 March 2018**

PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND PEER REVIEW**REPORT OF THE HEAD OF FINANCE****AGENDA ITEM: 4.2**

Reason for this Report

1. The Public Sector Internal Audit Standards (PSIAS) require (in Standard 1312) that “external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.”
2. The assessment of Cardiff Council’s Internal Audit Section has been carried out by the Chief Audit Executive of a neighbouring council and this report has been prepared to provide Audit Committee Members with an update on the assessment of the audit team.

Background

3. The Audit Committee was advised, at the meeting on 30th November 2015, that it had been proposed by the Welsh Chief Auditors Group that the Welsh authorities establish a peer group to undertake the PSIAS assessments. The vast majority of authorities supported this approach and agreed to seek approval from their Managers within their authorities. This approach is consistent with a peer group established for Core Cities across the UK. This approach, based around a robust self-assessment and an external evaluation, fully meets the requirements of the Standard and has significant cost savings.
4. The Welsh authorities that used this approach shared a common terms of reference and were grouped to avoid any potential conflicts of interest. Cardiff Council was placed in a group with Rhondda Cynon Taf CBC (RCT) (where the Chief Audit Executive undertook the review of Cardiff Council) and Swansea Council (where the Chief Audit Executive of Cardiff Council undertook the review of Swansea Council).
5. Members are aware that it was agreed with the Chief Audit Executive (CAE) of RCT that the review of Cardiff Council could be delayed until Q3, 2017/18 to allow the embedding of the changes to processes and assurance definitions that were put in place from April 2017.
6. The assessment carried out by the CAE was based upon discussions with officers from Internal Audit and examination of supporting information provided to him (which included the annual self-assessment action plan, Audit Charter and process documents). The CAE considered that the narrative produced as part of the self-assessment was comprehensive, with references to documentary evidence to support the assessment.

The self-assessment had already identified areas where improvements could be made, but it was agreed that these are not significant deviations from the PSIAS.

7. The assessment did identify a small number of points for further consideration, with the aim of clarifying the arrangements already in place. The recommendations he suggested related to enhancing the information in the Charter and these were included in the draft Charter presented to the January meeting of this Committee.

Issues

8. The report prepared by the Chief Audit Executive from RCT is attached at Appendix A. The action plan is attached at Appendix B and shows the recommendations made, together with the proposed management actions. Four recommendations were made, which are considered to have a risk rating of amber / green (*low priority risk where routine management attention is warranted*). Three of the recommendations have been implemented and one will be implemented in due course.
9. The Chief Audit Executive is present at this meeting to answer any questions Members have on the action plan or the peer review process.

Legal Implications

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

Financial Implications

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

RECOMMENDATIONS

12. That the Committee notes the contents of the report.

IAN ALLWOOD
HEAD OF FINANCE
27 March 2018

The following is attached: **Appendix A:** Peer Review Report
Appendix B: Peer Review Action Plan



Rhondda Cynon Taf
County Borough Council

Internal Audit Report

**CARDIFF COUNTY COUNCIL – EXTERNAL PEER
ASSESSMENT**

MANAGEMENT IN CONFIDENCE

Date of Review:	November & December 2017
Auditor:	Marc Crumbie
Report Distribution:	Ian Allwood Sue Powell
Date of Issue:	7th December 2017

1. Introduction

1.1 The Public Sector Internal Audit Standards (the 'Standards') became effective from 1st April 2013 and introduced a requirement for an external assessment of all internal audit services, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation. The Standards were updated and re-issued in 2017.

1.2 There are two possible approaches to external assessments:

- A full external assessment or;
- An internal self-assessment which is validated by an external reviewer.

1.3 Cardiff County Council has opted to take part in a peer review process whereby they have undertaken a self-assessment in accordance with the Standards and submitted it, together with supporting evidence to the Head of Internal Audit at Rhondda Cynon Taf CBC for validation.

2. Purpose

2.1 The purpose of this report is to communicate the outcome of the external validation.

3. Background

3.1 A self-assessment review of conformance against the Standards was undertaken by the Internal Audit Service during the early part of quarter 1 2017/18. The results of this self assessment identified a relatively small number of areas that were considered as needing to be addressed. None of these areas were considered to be of a high priority and/or significant.

3.2 This validation exercise has reviewed the self assessment for completeness and robustness. An examination of key documentation was carried out and, evidence to support the statements made within the self-assessment has been provided.

4. Outcome of the External Assessment

4.1 The self assessment was undertaken based upon the updated Standards issued in March 2017.

4.2 The narrative produced as part of the self assessment was considered to be comprehensive with numerous references to documentary evidence in support of the statements made.

4.3 All documentary evidence requested was provided and the detail within correlated to the statements made within the self assessment.

4.4 The self assessment highlighted 8 (**subject to my comments in the appendix**) areas where improvements could be made. The action plan in respect of this self assessment is provided at Appendix A. The Head of Audit at Cardiff County Council does not consider any of the areas for improvement to be significant deviations from the Standards and I agree with this interpretation.

4.5 This external validation has identified a small number of additional points that need to be considered further, none are considered significant deviations from the Standards but have been raised with the aim of documenting arrangements in place, for clarity. The recommendations are contained within Section 5 below.

5. RECOMMENDATIONS

Independence & Objectivity – Audit Manager

5.1 Standard 1112 ‘Chief Audit Executive Roles Beyond Internal Auditing’ states:

‘Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.

Public sector interpretation:

When asked to undertake any additional roles/responsibilities outside of internal auditing, the chief audit executive must highlight to the board any potential or perceived impairment to independence and objectivity having regard to the principles contained within the Code of Ethics as well as any relevant requirements set out by other professional bodies to which the CAE may belong.’

5.2 The Audit Committee is required to approve and periodically review any safeguards put in place to limit impairments to independence and objectivity (see also Standard 1000 Purpose, Authority and Responsibility). Currently, the Audit Charter does not explicitly list areas of other responsibility along with the safeguards that have been put in place (albeit, they are in place in practice).

RECOMMENDATION:

In order for the Audit Committee to review the safeguards in place, it is recommended that for those functions which the Audit Manager has operational responsibility, they be explicitly listed within the Audit Charter and the safeguards in place to manage independence and objectivity be clearly set out.

This will help to ensure that Audit Committee have all of the information they may require in order to review the arrangements in accordance with the Standards and be satisfied.

Declaring potential conflicts of interest to protect independence and objectivity:

5.3 A conflict of interest would prejudice an individual’s ability to perform his or her duties and responsibilities objectively. In order to manage this process the Audit Manager at Cardiff County Council requests a declaration from all staff annually to ensure there are no potential conflicts and to demonstrate transparency. Whilst this procedure is in place and evidence exists to support the arrangements, the Audit Charter does not explicitly document these arrangements.

RECOMMENDATION:

It is recommended that the Audit Charter be updated to reflect the practices in place in respect of collating conflicts of interests from audit staff, at least annually.

- 5.4 Should a potential conflict of interest be reported by a member of the Internal Audit Service, then the Audit Charter should provide detail in respect of how this will be managed. The Audit Charter does not currently document the arrangements in place (albeit, they are in place in practice).

RECOMMENDATION:

The Audit Charter should be updated to reflect the working practices that are in place in respect of managing conflicts of interests identified by staff – i.e. they are taken into account when allocating individual workloads to auditors.

Draft audit plan report

- 5.5 An overview in respect of compiling the Internal Audit Plan is provided within the Audit Charter. The Standards require the Internal Audit Service to demonstrate a risk based audit plan that also covers as much of the overall control environment as far as is practicable.

RECOMMENDATION:

In order to demonstrate why audits are included within the Council's Audit Plan, consideration could be given to documenting a rationale/category against each audit.

6. Conclusions

- 6.1 In terms of this external validation, it is concluded that the Internal Audit Service of Cardiff County Council is currently conforming to the majority of the requirements of the Standards. **There are no significant deviations from the Standards.**
- 6.2 In respect of those issues identified in the self assessment and those highlighted above the Audit Manager has agreed to present the findings and an action plan to Audit Committee for consideration.

Appendix 1 – Cardiff County Council’s Self Assessment – Action Plan

AUDIT TITLE: Public Sector Internal Audit Standards (PSIAS) Self Assessment

REF	PSIAS REQUIREMENTS	FINDINGS	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
<i>Standard - Purpose, Authority & Responsibility (1000)</i>						
1	<p>i) The Chief Audit Executive (CAE) periodically reviews the Internal Audit Charter and presents it to senior management and the board for approval.</p> <p>ii) The board approves the Risk-Based Audit Plan.</p>	<p>The Charter is approved by the Audit Committee in the presence of the Section 151 Officer. At present, it is not approved by other Senior Management.</p> <p>Your audit charter is approved each year by audit committee – I’d consider that sufficient.</p>	<p>i) The Audit Committee must ‘approve’ the Audit Charter each year, and this should be correctly included in the Audit Committee minutes.</p> <p>Your audit charter <u>has</u> been presented to and approved by audit committee?</p> <p>ii) The Audit Charter must be presented to Senior Management, with consideration given to it being countersigned by the CEO. I don’t think this is necessary?</p>	<p>The Audit Charter will be presented in draft to the Audit Committee at the meeting in January 2018, with a final version presented in march 2018.</p> <p>The Audit Charter will be presented to Senior Management Team in January 2018. Why (audit committee is plenty)?</p>	Head of Finance	30.01.18

REF	PSIAS REQUIREMENTS	FINDINGS	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
			It's presented to audit committee each year and they are responsible for overseeing the council's I/A Service.			
Standard - Purpose, Authority & Responsibility - Organisational Independence (1110)						
2	The board approves decisions relating to the appointment and removal of the CAE.	The Section 151 Officer considers that the appointment / remuneration for the CAE should be in line with other appointments across the Council.	The Audit Committee must consider approving decisions relating to the appointment and removal of the CAE. This isn't something that needs to be raised, taking into account the management response. All Heads of Audit in the public sector as far as I am aware are appointed through a normal process rather than it being done by audit committee.	The Section 151 Officer considers that the appointment / remuneration for the CAE should be in line with other appointments across the Council.		
Standard - Purpose, Authority & Responsibility – Impairment to independence or objectivity (1130)						

REF	PSIAS REQUIREMENTS	FINDINGS	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
3	Any real or apparent impairment of independence or objectivity has been disclosed to appropriate parties.	<p>There have been no real or apparent impairments of independence or objectivity in audit engagements allocated.</p> <p>No auditors are allocated audits of areas where they have worked in the previous year.</p> <p>Where the CAE has operational responsibilities for activities, audit activity in this area will be reviewed and authorised by a senior group auditor and assured by the Section 151 Officer.</p>	<p>Something not to be included within the action plan?</p> <p>There's nothing to action (and there's nothing wrong)?</p>			
Standard - Proficiency and Due Professional Care – Due Professional Care (1220)						

REF	PSIAS REQUIREMENTS	FINDINGS	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
4	Internal Auditors exercise due professional care by considering the probability of significant errors, fraud, or non-compliance.	<p>The standards require analytical procedures in the planning stage of each engagement, but some Auditors require training to consistently meet this requirement without assistance.</p> <p>Some Auditors have skill gaps in respect of Excel and CAATs, meaning that, without assistance, they cannot always review the whole population data sufficiently in order to identify the probability of significant errors, fraud or non-compliance.</p>	<p>Audit Management must build on the competency assessment which has been initiated.</p> <p>Auditors in need of analytical audit planning skills must be provided with further training, and in the meantime provided with direct assistance in analysing the population data for the probability of significant errors, fraud, or non-compliance.</p>	<p>There is a programme of skills training for all auditors which has been generated from the completion of the skills matrix and other changes during the year. Topics to be covered in the skills training include risk-based auditing, the PSIAS, SharePoint and Excel.</p> <p>Auditors are always supported during audits on the analysis of data, sampling methodology, etc.</p>	Group Auditor	On-going
Standard - Quality Assurance and Improvement Programme - Reporting on the Quality Assurance and Improvement Programme (1320)						
5	The CAE reports the results of the Quality	The QAIP is included in the Audit Charter with results	It must be ensured that the results of the QAIP are	Key performance indicators are reported to the Audit	Head of Finance	March 2018

REF	PSIAS REQUIREMENTS	FINDINGS	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
	Assurance and Improvement Programme (QAIP) to senior management and the board.	reported in the Annual Internal Audit Report which is issued to Audit Committee. The QAIP is not reported to the senior management team.	reported to the senior management team in addition to the Audit Committee.	Committee, but it is accepted that more information could be provided within the annual report. A more detailed QAIP report will be presented to Audit Committee and senior managers.		
Standard - Governance (2110)						
6	The Internal Audit activity must evaluate the effectiveness of the organisation's ethics related objectives, programmes and activities.	A governance review is ongoing in 2017/18 to focus on ethics and culture.	An audit of the effectiveness of the organisation's ethics related objectives, programmes and activities must be completed and communicated to senior managers.	An ethics and values audit has been programmed and is on-going.	Group Auditor	2017/18
Standard – Risk Management (2100)						
7	Internal Audit must assess the effectiveness	A review of risk management processes is currently on-going.	An audit of the effectiveness of the organisation's risk management processes must be completed and	The audit of risk management is currently on-going and will	Group Auditor	2017/18

REF	PSIAS REQUIREMENTS	FINDINGS	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
	of the organisation's risk management processes.		communicated to senior managers.	be reported to Audit Committee in January 2018.		
Standard - Engagement Planning (2200)						
8	Internal Auditors develop and document a plan for each consulting engagement. For significant consulting engagements, a written understanding is documented and communicated including the objectives, scope, respective responsibilities and other expectations.	The International Professional Practices Framework (IPPF) requires plans and working papers for all consulting as well as assurance engagements. There is scope to improve the paperwork to support consultation engagements, which is not currently standardised or included in the Audit Protocol. All consulting engagements are initiated on the basis of an agreed understanding of the objectives, scope and	A proforma must be developed for the purposes of documenting the consulting engagement objectives, scope, timing and resource allocations. For any significant consulting engagements (exceeding 10 planned days), a documented understanding must be reached with clients on the objectives, scope and respective responsibilities for the engagement.	The scope of consulting engagements is discussed with audit clients when the engagement is requested. However, consideration will be given to the development of a proforma for consulting engagements so that these discussions are recorded.	Group Auditor	March 2018

REF	PSIAS REQUIREMENTS	FINDINGS	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
		<p>responsibilities of the parties involved.</p> <p>It would be good practice to ensure this is documented in the event of any significant consulting engagements.</p>				

Mae'r dudalen hon yn wag yn fwriadol

Audit Title:	PSIAS peer assessment
Audit Assurance:	Effective with opportunity for improvement

REF	FINDINGS	RECOMMENDATIONS	RISK RATING	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
Objective 1 - Independence and objectivity - Audit Manager						
1	The Audit Committee is required to approve and periodically review any safeguards put in place to limit impairments to independence and objectivity (see also Standard 1000 Purpose, Authority and Responsibility). Currently, the Audit Charter does not explicitly list areas of other responsibility along with the safeguards that have been put in place (albeit, they are in place in practice).	In order for the Audit Committee to review the safeguards in place, it is recommended that for those functions which the Audit Manager has operational responsibility, they be explicitly listed within the Audit Charter and the safeguards in place to manage independence and objectivity be clearly set out.	Amber / Green	The amendments suggested will be made to the Audit Charter for 2018/19. These will be presented to Audit Committee in draft in January 2018.	Audit Manager	30.01.18
Objective 2 - Declaring potential conflicts of interest to protect independence and objectivity						
2	A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively. In order to manage this process the Audit Manager at Cardiff County Council requests a declaration from all staff annually to ensure there are no potential conflicts and to demonstrate transparency. Whilst this procedure is in place and evidence exists to support the arrangements, the Audit Charter does not explicitly document these arrangements.	It is recommended that the Audit Charter be updated to reflect the practices in place in respect of collating conflicts of interests from audit staff, at least annually.	Amber / Green	The amendments suggested will be made to the Audit Charter for 2018/19. These will be presented to Audit Committee in draft in January 2018.	Audit Manager	30.01.18

REF	FINDINGS	RECOMMENDATIONS	RISK RATING	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE
3	Should a potential conflict of interest be reported by a member of the Internal Audit Service, then the Audit Charter should provide detail in respect of how this will be managed. The Audit Charter does not currently document the arrangements in place (albeit, they are in place in practice).	The Audit Charter should be updated to reflect the working practices that are in place in respect of managing conflicts of interests identified by staff – i.e. they are taken into account when allocating individual workloads to auditors.	Amber / Green	The amendments suggested will be made to the Audit Charter for 2018/19. These will be presented to Audit Committee in draft in January 2018.	Audit Manager	30.01.18
Objective 3 - Draft audit plan report						
4	An overview in respect of compiling the Internal Audit Plan is provided within the Audit Charter. The Standards require the Internal Audit Service to demonstrate a risk based audit plan that also covers as much of the overall control environment as far as is practicable.	In order to demonstrate why audits are included within the Council's Audit Plan, consideration could be given to documenting a rationale/category against each audit.	Amber / Green	The audit plan is prepared using a risk-based approach and this is reported to Audit Committee on an annual basis. However, consideration will be given to documenting the rationale for each audit's inclusion in the draft plan.	Audit Manager	27.03.18

Assurance Level	Definition
Effective	<ul style="list-style-type: none"> • The controls evaluated are adequate and appropriate • The control environment appears sound to provide reasonable assurance that all high level risks are adequately controlled • No findings noted (or a small number of low risk recommendations)
Effective with opportunity for improvement	<ul style="list-style-type: none"> • A few specific control weaknesses and/or opportunities for improvement were noted • Controls evaluated are otherwise adequate and appropriate to provide reasonable assurance that risks are adequately controlled
Insufficient with major improvement needed	<ul style="list-style-type: none"> • Some high level risks are not adequately controlled • Numerous specific control weaknesses were noted • Although immediate soundness and safety are not threatened, the control environment requires improvement as it does not provide reasonable assurance that all high level risks are adequately controlled • There may be a risk of exposure to fraud or security vulnerabilities
Unsatisfactory	<ul style="list-style-type: none"> • The control environment is not adequate and is below standard • The control environment is considered unsound • A lack of attention could lead to significant losses

Rating	Criteria
High / Red	<p>This is a high priority issue and immediate attention is required. This is a serious internal control or risk management issue that, if not mitigated, may (with a high degree of certainty) lead to:</p> <ul style="list-style-type: none"> • Substantial losses, possibly in conjunction with other weaknesses in the control framework or the organisational entity or process being audited • Serious violation of Council strategies, policies or values • Serious reputational damage • Significant adverse or regulatory impact, such as loss of operating licenses or material fines <p>Examples are:</p> <ul style="list-style-type: none"> • A policy / procedure does not exist for significant Council processes • Preventative, detective and mitigating controls do not exist • Council reputation or financial status is at risk • Fraud or theft is detected • Council is not in compliance with laws and regulations
Medium / Red Amber	<p>This is a medium priority issue and timely management action is warranted. This is an internal control or risk management issue that could lead to:</p> <ul style="list-style-type: none"> • Financial losses • Loss of controls within the organisational entity or process being audited • Reputation damage • Adverse regulatory impact, such as public sanctions or immaterial fines <p>Examples are:</p> <ul style="list-style-type: none"> • A policy exists but adherence is inconsistent • Preventative and detective controls do not exist, but mitigating controls do exist • The Council's compliance with laws and regulations requires additional evaluation and review • There is a possibility of inappropriate activity
Medium / Amber Green	<p>This is a low priority issue and routine management attention is warranted. This is an internal control or risk management issue, the solution to which may lead to improvement in the quality and / or efficiency of the organisational entity or process being audited.</p> <p>Examples are:</p> <ul style="list-style-type: none"> • A policy exists, but was not adhered to on an exception basis • Preventative controls do not exist, but detective and mitigating controls exist • There is a remote possibility of inappropriate activity
Low / Green	Best Practice

REPORT CONTEXT

This report has been prepared for the internal use of the Council and is prepared in relation to internal audit, under the requirements as set out in the Council's Financial Procedure Rules which are based on best practice principles as set out in the Public Sector Internal Audit Standards (PSIAS).

Reports are prepared by the staff of the Internal Audit Section based within Resources, where they serve to inform the Section 151 Officer and senior managers across the Council on governance arrangements, primarily around managing risks, the soundness of the control environment and the efficient and effective use of resources.

Red
Red / Amber
Amber / Green
Green

**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD****AUDIT COMMITTEE: 27 March 2018**

FINANCIAL UPDATE 2017/18**REPORT OF THE CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 5.1**

Reason for this Report

To provide the Audit Committee with an update on the Council's financial position.

Background

To assist the committee in understanding the current financial context within which the Council is operating, this report sets out an overview of the current monitoring position for 2017/18 and provides a brief update on the 2018/19 Budget and the medium term outlook approved by Council on 22 February 2018 and the medium term.

Issues**Financial Monitoring**

The Cabinet considered the Month Nine Monitoring Report on 15 February 2018. Overall, this report showed a balanced position for the Council which was in line with the position reported at month six. There were however changes within the overall position including an increase in the overspend on directorate budgets as a result of further pressures on the Children's Services budgets within Social Services, an increase in the projection for capital financing costs and a reduced surplus on Council Tax collection. These were offset by a further increase in NDR refunds on Council properties and by an increase in the projected saving on insurance budgets in the current year.

The overall position continued to reflect a range of demographic, service and other financial pressures including shortfalls against budget savings targets in directorate budgets and a projected overspend in relation to capital financing costs. These were offset by projected savings in directorate budgets as a result of management actions, a saving on insurance budgets, the release of contingency budgets, an anticipated surplus on Council Tax collection and NDR refunds on Council properties. Directorate budgets were projected to be overspent by £5.204 million with projected overspends in the Social Services, Economic Development and Education & Lifelong Learning Directorates. These were partly offset by projected underspends in other directorates and by the £3.0 million general contingency budget which was provided as part of the 2017/18 budget in order to reflect the quantum, risk and planning status of the proposed

savings for 2017/18. It should be noted that the 2017/18 Budget reduced the previous general contingency budget by £1.0 million. The projected overspends in directorate budgets included £3.990 million in Social Services, £1.0 million in Economic Development and £998,000 in Education & Lifelong Learning. This reflected a range of factors including increased demographic pressures in Social Services and Education & Lifelong Learning, particularly in relation to looked after children and children with additional learning needs. There were also significant demographic and cost pressures in Waste Services. The projected overspends also include shortfalls in income and the anticipated failure to fully achieve the savings targets set as part of the 2017/18 Budget together with on-going shortfalls carried forward from the previous financial year.

An overall shortfall of £2.159 million was anticipated against the £14.157 million directorate savings target with £8.188 million having been achieved to date and a further £3.810 million anticipated to be achieved by the year end. The budget approved by Council on the 23 February 2017 identified red or red / amber achievability risks totalling £6.627 million with £845,000 of the savings proposals still at a general planning stage. These risks are evident in the projected shortfall reported as part of the month nine monitoring. A projected shortfall of £2.001 million was also identified in relation to savings targets carried forward from 2016/17. Overall, this represents an increase of £424,000 compared to the shortfalls identified in relation to the 2017/18 and carried forward savings as reported at month six. The projected shortfalls are reflected in the directorate monitoring positions although where possible shortfalls have been offset by savings in other budget areas. The £3.0 million general contingency budget which was allocated to reflect the risk and planning status of the proposed savings for 2017/18 is also available to offset the shortfall in the current financial year.

Actions are continuing to be taken by those directorates reporting a projected overspend to try to resolve the issues that led to the current position or alternatively to identify offsetting savings in other areas of the service. These are considered as part of the challenge process to review the performance of directorates including the budget monitoring position. As set out in the previous monitoring report at month six, in response to the level of financial pressures identified in the current year all directorates reviewed their monitoring positions and identified a range of in-year savings. The scope of the reviews included non-essential third party spend, temporary staff arrangements and opportunities to maximise income. The savings generated as a result of these reviews were reflected in their month nine directorate monitoring positions.

The 2017/18 Capital Programme was £167.886 million at month nine of which £135.299 million was in respect of General Fund schemes and £32.587 million was in relation to the Council's Public Housing schemes. Against this, the projected outturn for 2017/18 was £140.197 million resulting in a total variance of £27.689 million. The most significant variance was in relation to slippage in the 21st Century Schools Programme (Band A) within the Schools Organisation Plan with variances also identified against a range of other schemes including £3.5 million against Public Housing schemes. Directorates have been reminded of the need to avoid slippage wherever possible by ensuring that their project plans and profiles of activity are robust.

2018/19 Budget and Medium Term

The 2018/19 Budget was approved by Council on 22 February 2018. The Budget aligns with the priorities in the Corporate Plan. For example:-

- It supports the vulnerable with £8.4 million additional funding for Social Services and £0.8 million to tackle homelessness.
- It reflects a commitment to better education and skills by providing £7.2 million additional support for schools and funding for the Cardiff Commitment.
- It helps support an economy that benefits all our citizens with capital investment in the Cardiff Capital Region City Deal (CCRCDD) and additional revenue and capital support for transport and infrastructure.
- It reflects the commitment to work together to transform services with a two stage consultation process and a programme of savings that seek to find ways in which the Council can work differently through generating income, reviewing processes and focussing on early intervention and prevention to avoid cuts to front line services where this is possible.

In setting the 2018/19 Budget, which totals £608.913 million, an underlying budget reduction requirement of £25.248 million was addressed through the following measures:-

	£000
Cap on schools growth (non-pupil number)	2,196
Use of Earmarked Reserves	2,350
Savings	14,296
Council Tax at 5% (net)	6,406
TOTAL	25,248

The due diligence for the 2018/19 budget process took account of the risk in respect of the unachieved savings identified within the 2017/18 budget monitoring process. The 2018/19 Budget includes the write of £306,000 prior year savings based on the perceived risk associated with their future achievability. Directorate base budgets for 2018/19 reflect the consequential budget realignments.

The 2018/19 budget savings of £14.3 million were rated in terms of residual and achievability risk. Proposals rated red or red-amber totalled £6.9 million in terms of achievability risk, £6.2 million in terms of residual risk and £1.9 million in terms of equalities impact. All proposals with a red or red-amber equalities rating have been subject to a full Equalities Impact Assessment. The planning status of savings has also been reviewed with 90% of the proposed savings either having been realised or with detailed plans in place. The achievement of savings will be closely monitored through the coming year.

The final settlement for Cardiff set out a funding increase of 0.9%, which equates to additional cash of £3.898 million when compared to 2017/18. However, this sum is eroded to £2.426 million (+0.55%) after taking account of new responsibilities that are included within the overall settlement quantum. The 2018/19 settlement also included some changes in relation to specific grants including the partial transfer into Revenue Support Grant (RSG) of the Single Revenue Grant and the amalgamation of a number of large grants, including

Supporting People, Families First and Flying Start, supported by an outcome framework. The settlement also indicated an 11% reduction to the Education Improvement Grant stream for 2018/19 largely attributable to the removal of the MEAG and Gypsy and Traveller elements of the grant. Whilst there were initial concerns that this could have had a £4.1 million impact for Cardiff, transitional arrangements have been put in place for 2018/19 whilst WG work with Authorities to identify a longer-term solution. This will need to be kept under review in the context of the medium term.

Use of the Council's £4 million Financial Resilience Mechanism (FRM) for 2018/19 was determined following the final settlement, which confirmed that the budget would not need to be released in 2018/19. Its use in 2018/19 will include £1.9 million to support visible street scene service and £1.2 million to support transitional arrangements including the mitigation of specific grant issues affecting 2018/19. Full details of how the FRM will be spent in 2018/19 are available in the Budget Report.

A two-stage consultation took place in relation to the 2018/19 Budget. Consultation on general budget themes took place via Ask Cardiff and this paved the way for a more detailed consultation that ran between 2 November 2017 and 14 December 2017. Engagement on the Budget also took place with Scrutiny Committees, Trade Unions, employees and School Budget Forum. As well as indicating support for savings proposals, the city-wide public consultation identified people's top three priorities for investment as building affordable houses and tackling homelessness, investing in sustainable transport and intervening early to support vulnerable children. All of these areas are reflected in the 2018/19 Revenue Budget or the 2018/19 – 2022/23 Capital Programme.

There will be a net decrease of 24.19 full time equivalent (FTE) posts in connection with the 2018/19 Budget. This comprises 39.19 FTE deletions offset by the creation of 15 new FTE posts. The net decrease of 24.19 FTE takes the cumulative FTE reduction since 2012/13 to 1,577 FTE.

The Medium Term Financial Plan (MTFP) for the financial years 2019/20 – 2021/22 as set out in the Budget Report shows a potential budget gap of £91.4 million over the three-year period. This is the base case analysis with a worse case analysis indicating a potential budget gap of £117.4 million over the same period. The Budget Report sets out a range of measures and budget savings based on themes to address the potential base budget gap. Work will now commence on the 2019/20 Budget to enable a Budget Strategy Report to be considered in July 2018. This will also provide an update to the MTFP for any known changes.

The Capital Programme for 2018/19 totals £141.764 million with a total five year spend of £720.7 million. This includes both housing and general fund capital schemes. As Audit Committee will be aware from the Treasury Management Strategy, this will result in an increase in the Council's borrowing requirement over the medium term. The capital budget for 2018/19 will be updated during the financial year for any additional approved grant funding towards capital schemes.

The Budget Report included an extensive section on the Council's financial standing, risks and financial resilience, which also set out the position on Council reserves. This section was accompanied by a further update of the Council's financial resilience snapshot, which is included at Appendix 1 to this report.

Reason for Recommendations

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

Legal Implications

No direct legal implications arise from this report.

Financial Implications

There are no direct implications arising from this information report.

Recommendations

To note the financial information provided in respect of the 2017/18 monitoring position and the outcome of the budget for 2018/19 and the medium term.

**CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
March 2018**

The following appendices are attached:

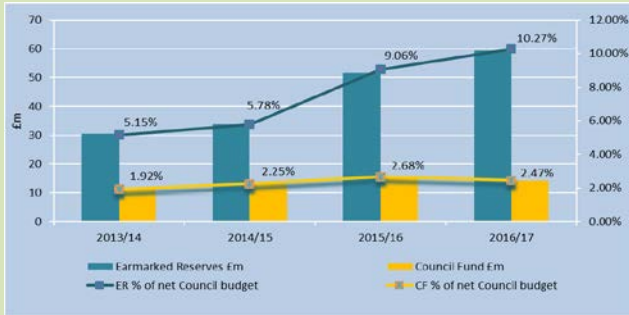
Appendix 1 – Financial Snapshot – Budget Report Version

Mae'r dudalen hon yn wag yn fwriadol

FINANCIAL SNAPSHOT REPORT - BUDGET REPORT VERSION

The following tables, charts and figures give an indication of the financial resilience of the Council as per the Statement of Accounts.

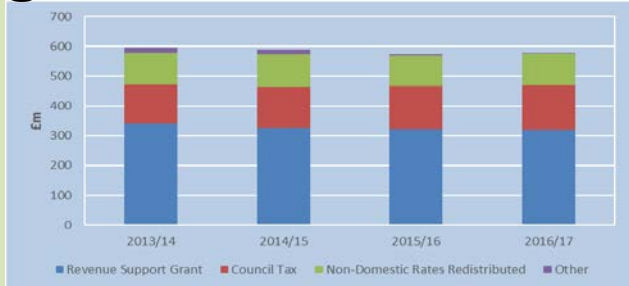
Level of Council Fund (CF) and Earmarked Reserves (ER)



Cumulative Budget Savings 2012/13 to 2017/18



Revenue Funding Split



Other Financial Indicators - Cardiff Council Single Entity Accounts

Indicator	2013/14	2014/15	2015/16	2016/17
Working Capital as a percentage of Gross Revenue Expenditure (%)	5.18%	5.13%	6.02%	7.02%
Usable Reserves as a percentage of Gross Revenue Expenditure (%)	6.43%	7.16%	10.31%	11.50%
Earmarked Reserves as a percentage of Gross Revenue Expenditure (%)	3.85%	4.28%	6.63%	8.00%
Unallocated/General Reserves to Gross Revenue Expenditure (days)	5	6	7	6
Long-term Borrowing to Long-term Assets (ratio)	0.25:1	0.24:1	0.35:1	0.35:1
Long-term Borrowing to Taxation & Aggregate External Finance	0.69:1	0.72:1	1.05:1	1.03:1
Council Tax as a % of Taxation & Non-Specific Grants (%)	23.32%	25.64%	27.68%	27.85%

The tables below show the Projected Outturn position for the 2017/18 financial year for both revenue and capital.

Revenue Month 9 Projected Position

Directorate	Net Expenditure Budget £000	Projected Outturn £000	Variance £000	Variance %
City Operations	34,793	34,681	(112)	(0.3%)
Communities, Housing & CS	43,354	43,152	(202)	(0.5%)
Corporate Management	26,108	26,058	(50)	(0.2%)
Economic Development	13,215	14,215	1,000	7.6%
Education & Lifelong Learning	249,324	250,322	998	0.4%
Governance & Legal Services	6,032	5,929	(103)	(1.7%)
Resources	19,562	19,245	(317)	(1.6%)
Social Services	153,486	157,476	3,990	2.6%
Total Directorates	545,874	551,078	5,204	0.95%
Capital Financing	33,717	34,347	630	1.9%
Discretionary Rate Relief	350	350	0	0.0%
General Contingency	3,000	0	(3,000)	(100.0%)
Summary Revenue Account etc.	4,043	2,643	(1,400)	(34.6%)
Council Tax Collection	0	(103)	(103)	0.0%
NDR Refunds on Council Properties	0	(1,331)	(1,331)	0.0%
Total	586,984	586,984	0	0.0%

Revenue Savings Achieved and Unachieved 2016/17 and 2017/18



Directorate	Unachieved Savings by Year		
	2016/17 £000	2017/18 £000	Total £000
City Operations	209	296	505
Communities, Housing & CS	300	190	490
Corporate Management	0	0	0
Economic Development	390	187	577
Education & Lifelong Learning	560	91	651
Governance & Legal Services	0	55	55
Resources	0	85	85
Social Services	542	1,255	1,797
Total	2,001	2,159	4,160

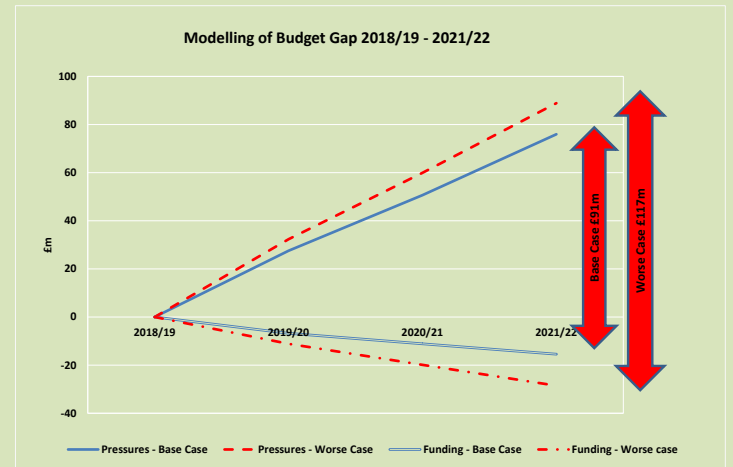
Capital Month 9 Projected Position

Directorate	Budget £000	Projected Outturn £000	Variance £000	Variance %	(Under)/Overspend £000	Slippage £000
City Operations	33,744	25,755	(7,989)	(23.7%)	(117)	(7,872)
Communities, Housing & Customer Services	13,201	10,798	(2,403)	(18.2%)	0	(2,403)
Economic Development	20,940	16,086	(4,854)	(23.2%)	505	(5,359)
Education & Lifelong Learning	57,661	50,183	(7,478)	(13.0%)	(200)	(7,278)
Resources	7,396	6,807	(589)	(8.0%)	0	(589)
Social Services	2,357	1,471	(886)	(37.6%)	0	(886)
Total	135,299	111,100	(24,199)	(17.89%)	188	(24,387)

The tables below show the Medium Term Financial Plan (MTFP), the risks and affordability indicators facing the Council.

MTFP Scenario

	2019/20 £000	2020/21 £000	2021/22 £000	TOTAL £000
Financial Pressures	27,526	23,152	25,278	75,956
Funding	6,759	4,366	4,322	15,447
Budget Requirement Reduction	34,285	27,518	29,600	91,403
Budget Strategy Assumptions	10,168	8,206	7,489	25,863
Total Savings Required	24,117	19,312	22,111	65,541
Total Strategy	34,285	27,518	29,600	91,403



Capital Expenditure & Capital Financing Requirement (CFR)

	31 Mar 17 £000	31 Mar 18 £000	31 Mar 19 £000	31 Mar 20 £000
Capital Expenditure	Actual	Estimate	Estimate	Estimate
Council Fund (General Fund)	83,833	111,100	99,739	96,001
Housing Revenue Account	24,154	29,097	42,025	29,522
Total Capital Expenditure	107,987	140,197	141,764	125,523
Capital Financing Requirement excl. Landfill				
Council Fund CFR	449,533	484,654	500,311	510,547
Housing Revenue Account CFR	273,883	271,764	295,099	293,722
Total CFR	723,416	756,418	795,410	804,269

Affordability Indicator - Capital Financing Costs as a % of Controllable Budget

	2011/12	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Difference 11/12-22/23
Net	13.47	14.40	13.87	14.49	15.11	16.46	16.65	23.61
Gross	15.17	18.16	18.07	19.21	20.56	23.38	24.62	62.29

Mae'r dudalen hon yn wag yn fwriadol

AUDIT COMMITTEE: 27 MARCH 2017

**STATEMENT OF ACCOUNTS 2017/18 – ACCOUNTING POLICIES AND
FUTURE REGULATORY CHANGES****REPORT OF CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 5.2**

Reason for this Report

The Audit Committee terms of reference set out the responsibility for reviewing the financial statements prepared by the authority.

This report has been prepared to provide Audit Committee Members with:-

- A. The draft accounting policies on which the Statement of Accounts for 2017/18 will be based, along with the key areas in the accounts where estimates and assumptions are used in preparation of the accounts.
- B. The key changes expected to be implemented for the 2017/18 accounts arising from the 2017/18 CIPFA Code of Practice (the Code) and our own internal review:-
- C. Potential changes in the Code in 2018/19 and beyond that are likely to have the most impact on the accounts.
- D. An update of regulatory changes following amendments by Welsh Government to regulations that govern the production of the Accounts.

Background

Councils are required to prepare the Accounts using a Code of Practice developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is based on International Financial Reporting Standards (IFRSs) and sets out the minimum requirements for financial statements.

The Council's Statement of Accounts for 2016/17 was considered by Audit Committee in June and September 2017. It is a technical document, which relies on information received from many Directorates; relies on technical expertise and capacity in order to meet tight timescales for preparation and makes previously recommended improvements. Preparation and audit of the accounts needs to consider the significant assumptions required and materiality of their impact to users of the accounts.

During 2015, CIPFA undertook a consultation ('Telling the Story'), which aimed to review non-essential or historic items included within Local Authority Statement of Accounts and to better explain the financial statements. Attached at Appendix 1 is a guide produced by CIPFA on Understanding Local Authority Financial Statements, which may be useful information to members of the Committee to support their role.

The key timescales in relation to the 2017/18 accounts are shown in the table below:-

Date (Last Working Day)	Item
From 15 June 2018 onwards	Submission of accounts for External Audit
26 June 2018	Draft Statement of Accounts presented to Audit Committee
29 June 2018	Draft Statement of Accounts signed off by Corporate Director Resources
2 July 2018	Accounts open for public inspection for 20 working days
27 July 2018	Public inspection ends
23 August 2018	Receipt of all external audit queries
18 September 2018	Draft Audited accounts presented to Audit Committee
27 September 2018 (TBC)	Final Audited accounts and accompanying disclosures presented to Full Council for approval and sign off
28 September 2018	Publication of Statement of Accounts

The Council continues to work closely with Wales Audit Office (WAO) on a process of continual improvement, including considering materiality of transactions, simplifying wording, removing or adding narrative where this better explains the Council's performance or figures included in the accounts.

A - Draft Accounting Policies 2017/18 and Significant Assumptions used in the Accounts

The Council's draft 2017/18 accounting policies are included, at Appendix 2. CIPFA has encouraged Councils to simplify wording and the content of accounting policies, some of which may have been in place for a number of years. We continue to do so in the draft however there are no changes made that would impact on the reporting of financial performance historically or in the future. The policies remain unchanged. A summary of the main amendments to the policies are shown below:

Accounting Policies Section	Change
General Principles	Included new section on the accounting convention adopted in the accounts and confirmed the accounts are prepared on a going concern basis i.e the Council will continue to operate in the foreseeable future
Assets	Separated disclosure of policies for Heritage assets from Property Plant & Equipment assets
Investment Property	Additional disclosure including types of assets included in the investment property classification. This follows the recommendation by WAO as part of the 2015/16 accounts matters to consider. A review of assets held in this category has been concluded and reviewed by WAO. Whilst categorisation will always involve an element of judgement, the majority of assets will remain as initially classified, with others that have the characteristics of community asset transfers, to be shown as surplus assets

Assets Held for Sale	Inclusion in the policy of the four criteria considered for assets to be included within this category
Revaluation of assets	Inclusion of future proposed revaluation timescales for assets where valuations are undertaken

The Council is also required to highlight areas of the accounts where assumptions and estimates have to be made. e.g. in the valuation of fixed assets. The proposed significant assumptions used in 2017/18 for disclosure in the accounts are included in Appendix 3. Changes in assumptions and different assumptions could have a significant impact on the values included in the accounts, but are often purely an accounting exercise and changes will have no impact on the level of Council Tax / Rent payable, as they are required to be reversed.

Following a review, two assumptions listed below have been removed from those disclosed in previous years, with the rationale also highlighted. All other assumptions remain largely unchanged.

Previous Assumption	Significant	Reason for removal
Manually determined debtors or creditors		Assumptions are normally based on evidenced data.
Employee leave benefits accrual accrued at the end of the year		Assumptions are now based on more robust data of leave from Council IT systems

Amendments to the narrative for accounting policies and assumptions have been considered and agreed with Wales Audit Office.

B - Changes in the 2017/18 Code

The main changes in the 2017/18 code are to:-

- specify the minimum requirements for inclusion in the 'Narrative Report' including financial and non financial data about Council performance. These are statutory requirements in England but not yet in Wales
- clarify accounting policies and encourage simplification as well as consideration of relevance and materiality.

The Code does not contain any significant changes which will affect the Council's Statement of Accounts for 2017/18, however there are a number of minor amendments that will be made including:-

- continuing to look at opportunities to improve content and to include additional disclosures on a best practice basis in the Narrative Report
- reviewing of the pension fund tables
- adding table to financial instruments to aid understanding with figures in the balance sheet
- reviewing tables, comparative figures and formatting
- implementing WAO and other feedback

C- Potential changes to the Code 2018/19 onwards

The main change in the code for 2018/19 relates to the incorporation of International Financial Reporting Standard (IFRS) 9 - Financial Instruments. This was developed largely

as a response to the global financial crisis, is long and complex and is designed to cover sophisticated financial instruments often used in financial markets. Although aimed largely at improving transparency and decision-making in financial institutions, it will also impact on the accounts. It applies to financial instrument assets only and for the Council this would currently include its treasury investments, equity holdings in companies, and any loans provided. Whilst complex, the main considerations required by the Code are:-

- Determining the reason for owning the asset e.g. strategic or commercial; trading; generate future income streams?
- Review of contractual cash flows, financial performance and expected future returns
- Classification into one of the following three categories, with any movements in valuation reflected as shown in the table below:-

Category	Valuation Method
Amortised Cost	Historic cost adjusted for any expected credit losses, defaults or discounts
Fair Value through profit and loss	Fair Value (year-end market price) with all realized or unrealized gains or losses taken to income and expenditure each year
Fair Value through other comprehensive income	Fair value with gains or losses taken to a financial instrument revaluation reserve until the asset is disposed of

- Increased disclosure requirements, reviewing and explaining valuation methods and judgements made
- Regular assessment of credit risk or impairment
- Dependent on assessment of credit risk, consider recognition of impairment over lifetime (expected loss) rather than only accounting for it when incurred i.e. at an earlier stage rather than when disposed of.

IFRS 9 changes go hand in hand with recent changes in the prudential code and treasury management code and ultimately are aimed to ensure that local authorities are clear as to what financial assets they are holding, what the risks are, why they are holding them and ensuring changes in value / recoverability are reflected in the accounts and at an early stage.

The Council already includes significant disclosures about the financial instruments it holds in the Statement of Accounts. From an initial review of assets currently held, they are not complex or not deemed primarily held for a commercial or trading basis to generate income for the Council. Accordingly the changes are not expected to have a significant accounting or any financial impact on the Council based on its current holding of financial assets, but it will need to be a consideration in the approach to future transactions or changes in policy.

The current approach to providing a fair value for accounting purposes for the Council's interest in Cardiff Bus and any movements in value is likely to remain unchanged as are the risks in using those figures for a commercial purpose without understanding the assumptions used. Any changes in fair value are expected to be reversed to a financial instrument revaluation reserve as is currently the case. However these are not expected to have a significant financial impact on the Council based on its current holding of financial assets.

Further work is required during the next twelve months in conjunction with the Council's Treasury advisors and WAO, to ensure we meet these new accounting requirements, consider materiality and any statutory overrides being considered by government.

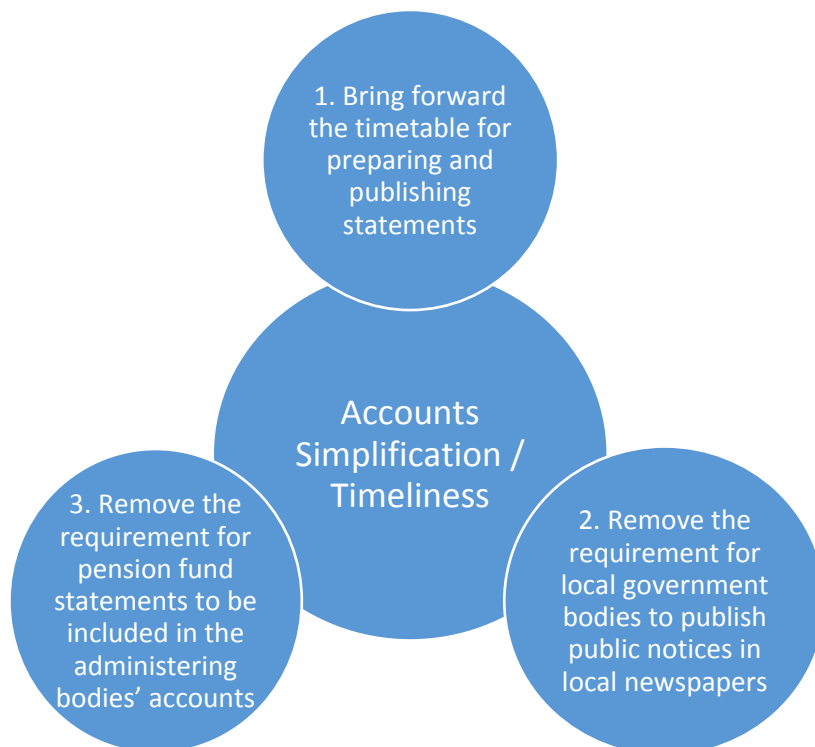
Looking further ahead to 2019/20, the Code will incorporate the requirements of International Financial Reporting Standard 16 – Leases. This will remove the existing classification of operating and finance leases covering buildings, equipment etc and their different accounting treatments. It will require that all leases with a term over a year are recorded as assets and liabilities unless the underlying asset is of low value.

Whilst this is expected to have no direct financial impact, significant work will need to be undertaken to ensure existing lease type arrangements across the Council are identified, and accurately recorded. This will need to include a review of existing and creation of new processes for managing and recording existing and new lease arrangements. This will need to be led by Finance and supported by Directorates.

D - Accounts and Audit Regulations

Between 14 November 2016 and 6 February 2017, the Welsh Government (WG) consulted on proposed changes to the Accounts and Audit Regulations that would apply to Local Government Bodies.

The three main proposals will come into force on 14 March 2018 and will apply to financial years ending on or after 31 March 2018.



The first change is to bring forward the timetable for preparing, auditing and publishing the statements of accounts. The aim is to:-

- bring them into line with other parts of the public sector
- enhance the accountability of authorities and the usefulness / timeliness of accounts

- assist larger relevant bodies' own financial management by providing earlier assurance of the previous year's financial outturn
- free up finance staff time to look at in-year issues, rather than spending a significant part of the year considering the preparation and support for audit of the previous financial year

The table below shows the required deadlines to be met.

	Accounts	2017/18	2018/19	2019/20	2020/21
22 county and county borough councils & their committees	Prepare and sign by S151	30 June	15 June	15 June	31 May
	Publish following audit and Council approval	30 Sept	15 Sept	15 Sept	31 July

The Council supported the change, whilst recognising the impact on its own staff and external parties from whom information is required for its preparation. The Council currently aims to provide a Statement of Accounts for audit on 15 June. Consideration of changes in process to bring forward the Council's preparation timetable by at least two weeks will need to take place by 2020/21 with gradual improvements in timetable proposed over the next few years. This must be done at the same time as meeting the challenge of an increasingly complex statement of accounts as well as planned changes in the Code outlined previously. The approach to this will need to be a combination of streamlining processes, allocation of additional technical capacity, working closely with auditors as well as considering changes in approach or systems that support earlier preparation.

The significant impact will be on the timing of the external audit of the accounts which will require a fundamental change in approach to audit. Accordingly the regulations propose a phased approach to allow external auditors to make adequate provision for the revised timetable through their business planning processes. Any such revised approach will also need to take into account materiality and also the impact on local authority resources.

In order to meet the timescales above, the Council and any other bodies charged with governance will need to consider carefully the timing of meetings and potentially responsibility for approving them in the short term and longer term. This includes the timing of Council meetings to approve the accounts and also Audit Committee for scrutiny of the Accounts. This exercise will need to be undertaken in the next few months and reported back to audit committee as part of a future report for the Accounts.

The second change of the regulation relates to the requirement to publish a notice stating when their accounts are available for public inspection and for completion of audit. This was stipulated to be done by advertisement in one or more local newspapers circulating in the area of the body concerned. The revised regulations are less specific and accept that alternative media such as the Council's website can now also be used to make users of the accounts aware of the period of public inspection.

The third change is that the requirement to include the Pension Fund statements in the Statement of Accounts of the administering body has been removed. The requirement to set a date for inspection, publicise the audit, for the S151 officer to sign, for those charged with governance to authorise, approve and certify the accounts, the need for an audit certificate and audit opinion remain unchanged. However the Council will need to consider how a standalone set of pension fund accounts will be approved as part of the

responsibilities for those charged with governance of the pension fund. One option is to include the Pension Fund Accounts within the *Annual Report* document which is currently required to be published by 1 December each year at the latest. Another option is to align the timetable of the pension fund annual report and accounts with the main administering authority statements. Further clarification has been sought from the WG and the Council will work with WAO to develop locally agreed arrangements to meet responsibilities for the pension fund statement of accounts.

Reasons for Recommendations

To inform Audit Committee of the key changes impacting on the Council and Pension Fund Statement of Accounts for 2017/18 and changes expected in the medium term.

Legal Implications

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

Financial Implications

The changes outlined in this report particularly beyond 2017/18 are likely to require additional workload on the part of the local authority finance function and directorates. Consideration of the cost and benefit of all changes will need to be undertaken as part of implementation particularly in respect of the materiality of the impact of the requirements.

Recommendations

Audit Committee are requested to note :-

- the draft accounting policies and assumptions to be used in preparing the statement of accounts for 2017/18 and beyond
- the changes to governance requirements for the current and future years accounts

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
15 MARCH 2018

The following Appendices are attached:

Appendix 1 – CIPFA Guide – Understanding Local Authority Financial Statements

Appendix 2 – Draft Accounting Policies 2017/18

Appendix 3 – Draft significant assumptions and estimates used in preparing the Accounts

Mae'r dudalen hon yn wag yn fwriadol

understanding local authority financial statements

2016

\ introduction

Local authority financial statements have a key part to play in accountability to taxpayers and other stakeholders as to how public money is used. However, the complexity of the financial statements has not always helped this accountability, particularly allowing the amounts in the statements to be easily reconciled to management accounting and in-year monitoring of budgets.

The introduction of the Expenditure and Funding Analysis to the 2016/17 Code is intended to allow a clear link to be made between in-year monitoring and General Fund information and final outturn as set out in the audited financial statements, thus closing the accountability loop from budgets through to outturn.

A key to achieving the aims of the changes will be to use the information not just in the narrative section of the financial statements to explain performance during the year, but more widely to all stakeholders, including elected members as citizens' representatives, in a range of formats and media to provide a definitive position on financial performance. Local authorities are also urged to look to their balance sheets as a part of this explanation and the key messages that can be drawn out.

At the same time it is important that opportunities are taken to cut the clutter and remove immaterial disclosures or through the use of technical appendices to separate out the more complex disclosures. Working in partnership CIPFA/LASAAC will itself continue to review opportunities for improvement and explore links with other published information to ensure that the definitive position remains clear.

This briefing note is intended to help chief financial officers and other senior staff to present the financial statements to members and other stakeholders by explaining how the formats can be used to convey key information. It is also designed to give elected members and stakeholders an introduction to the format of the accounts and provide them with key questions on the financial statements.

An important element of financial reporting which will assist local authorities to tell the story of their financial performance is the narrative report (management commentary in Scotland). This report accompanies the financial statements and should provide a commentary on how the authority has used its resources to achieve desired outcomes in line with its objectives and strategies. It should provide an explanation of the main messages of financial performance, financial position and cash flows in the financial statements.

This publication includes extract financial statements to demonstrate key issues. It is important to note that the Code sets out the minimum requirements for the financial statements of the authority, but authorities are free to include more detail if they think it will help them to explain the accounts to members and other stakeholders.

This publication also highlights the opportunities to simplify presentation and make the messages clearer in a number of areas:

- comparisons with budgets (General Fund and Housing Revenue Account performance)
- reserves position, and
- cash flows.

comparisons with budgets

For members, probably the most important issue will be whether the authority has a surplus or deficit on General Fund or Housing Revenue Account (HRA) balances against its budget for the year.

The financial statements will enable individual authorities to demonstrate performance both in the way in which they organise themselves and, more importantly, in how they budget against the General Fund to provide services.

The introduction of the new expenditure and funding analysis

The financial statements primarily follow accounting standards rather than local government legislation. Although some information is provided on General Fund and HRA balances this hasn't always been easy to identify in the past. However, the new Expenditure and Funding Analysis provides users of the financial statements with more information to make that analysis (for example, by comparison with their budget reports).

The Expenditure and Funding Analysis brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund (including the HRA).

Proper accounting practices measure the resources that have been generated and consumed in the year including such things as the use of property (depreciation) and the value of pensions benefits earned by the employees. Statutory provisions determine how much of the authority's expenditure needs to be met from council tax each year.

The Expenditure and Funding Analysis:

- shows for each of the authority's services or directorates a comparison of the net resources applied and the net charge against council tax, and
- provides an opportunity to explain significant differences between the two within the authority's framework for accountability.

The Expenditure and Funding Analysis promotes accountability and stewardship by providing a more direct link with the annual decision making process of the authority and its budget ie the General Fund. The changes are more transparent and follow the performance framework of the authority.

The Expenditure and Funding Analysis takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement. To demonstrate accountability and to meet segmental reporting requirements it is necessary to reconcile to the statutory position on the General Fund balance. The service analysis for both the Expenditure and Funding Analysis and the Comprehensive Income and Expenditure Statement are now both provided in the way in which an authority organises itself and manages financial performance.

The Expenditure and Funding Analysis needs to be positioned in the financial statements where it is most accessible and relevant to its users. This means it could be placed before the main statements, to accompany the Comprehensive Income and Expenditure Statement, or even included as the first note. An authority will be able to decide for itself.

Expenditure and Funding Analysis (extract)

The Expenditure and Funding Analysis analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

20X0/20X1	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
People Directorate	47,385	898	48,283
Neighbourhoods	5,929	13,608	19,537
Business Change	30	224	254
Corporate and Central Services	19,358	833	20,191
Net Cost of Services	72,702	15,563	88,265
Other Income and Expenditure	(72,658)	(1,019)	(73,677)
Surplus or Deficit	44	14,544	14,588
Opening General Fund and HRA Balance at 31 March 20X0	(25,247)		
Less Deficit on General Fund and HRA Balance in Year	44		
Closing General Fund and HRA Balance at 31 March 20x1*	(25,203)		

*for a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

comprehensive income and expenditure statement

The Comprehensive Income and Expenditure Statement shows how resources have been generated and expended in accordance with International Financial Reporting Standards. It shows whether the authority's operations resulted in a surplus or deficit. The key lines that summarise performance are highlighted below.

Comprehensive Income and Expenditure Statement (extract)

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation [or rents]. Authorities raise taxation [and rents] to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement 20X0/X1	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
People Directorate	74,297	(26,014)	48,283
Neighbourhoods	58,225	(38,688)	19,537
Business Change	11,624	(11,370)	254
Corporate and Central Services	24,021	(3,830)	20,191
Cost of Services	168,167	(79,902)	88,265
Other Operating Expenditure (Note 9)	2,218	–	2,218
Financing and Investment Income and Expenditure (Note 10)	11,340	(2,359)	8,981
Taxation and Non-specific Grant Income and Expenditure (Note 11)	–	(84,876)	(84,876)
(Surplus) or Deficit on Provision of Services			14,588
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(36,597)
(Surplus) or Deficit on Revaluation of Available-for-Sale Financial Assets			(101)
Remeasurement of the Net Defined Benefit Liability (Asset)			(8,444)
Other Comprehensive Income and Expenditure			(45,142)
Total Comprehensive Income and Expenditure			(30,554)

Expenditure of continuing operations, analysed by service segment, these lines are reconciled to the General Fund in the Expenditure and Funding Analysis

Operational costs of providing the services of the authority.

Total income and expenditure of the authority for the year, this line is also reconciled to the General Fund in the Expenditure and Funding Analysis

From 2016/17 local authorities are required to report their service segments based on the way in which they operate and manage services. There is no longer a requirement for that service analysis to be based on the definition of total cost or the service expenditure analysis in the *Service Reporting Code of Practice* in the financial statements. This new format means that the service section of the Comprehensive Income and Expenditure Statement supports accountability and transparency as it reflects the way in which services operate and performance is managed.

Where an authority uses alternative service reporting formats it will need to select the presentation most commonly used by the individual or group within the authority who has the most significant role in allocating resources and assessing performance of services when considering the allocation of resources.

This format of the Comprehensive Income and Expenditure Statement is also more meaningful for both local authority members and users of the financial statements as it follows their budget and performance monitoring and other key documents such as their council tax leaflets.

Treatment of overheads will depend on an authority's arrangements for accountability. If an authority operates and manages some or all of its corporate and support services separately then these service segments would be shown separately on the face of the Comprehensive Income and Expenditure Statement and not apportioned.

The test is whether the expenditure relating to these activities is reported to key decision makers as separate activities or spread across services as overheads for the financial statements. Therefore, there is no longer an absolute requirement to apportion support service overheads to services. However, local authorities will not need to change any of their financial reporting requirements for internal management processes. Whatever you are doing internally determines the structure for external reporting statements.

The Comprehensive Income and Expenditure Statement is then split into two parts.

The first part reflects the full economic cost of providing the services of the authority with the results summarised at the Surplus or Deficit on the Provision of Services line, highlighted above. It represents the operating costs of providing the services of the authority in the year. In the private sector this would be equivalent to the profit or loss of a company.

The second part, other comprehensive income and expenditure, shows the gains or losses in the measurement of the assets and liabilities of the authority. These gains or losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pensions assets and liabilities.

movement in reserves statement

The Comprehensive Income and Expenditure Statement shows the income and expenditure on the authority's services in the year in accordance with International Financial Reporting Standards as adopted by the Code. However, the amount chargeable to council tax and an authority's General Fund is limited by statutory requirements and requires a number of adjustments. The statutory adjustments largely relate to arrangements for funding local authority capital expenditure or the timing with which some items are charged to council tax. The reserves of the authority represent its net worth; the usable reserves show the resources currently available to spend on services.

The movements in the financial position of the authority are summarised in the Movement in Reserves Statement.

The Movement in Reserves Statement shows how:

- the authority has generated and expended resources in the year; and
- the resourcing position is adjusted under statutory rules to show the funds available to be spent at year end.

The Movement in Reserves Statement prescriptions have been reduced to the absolute minimum in the Code. Authorities can provide additional rows to these minimum requirements if they consider that they need to do so to provide a true and fair presentation of their reserves.

Movement in Reserves Statement (extract)

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. It shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax [or rents] for the year. The Net Increase/Decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those adjustments.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve* £000	Major Repairs Reserve** £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 20X0	22,118	3,129	10,065	1,600	450	37,362	1,350,567	1,387,929
Movement in reserves during 20X0/X1								
Total Comprehensive Income and Expenditure	(14,983)	395	–	–	–	(14,588)	45,142	30,554
Adjustments from income & expenditure charged under the accounting basis to the funding basis	14,835	(291)	(750)	–	–	13,794	(13,794)	–
Increase or (decrease) in 20X0/X1	(148)	104	(750)	–	–	(794)	31,348	30,554
Balance at 31 March 20X1 carried forward	21,970	3,233	9,315	1,600	450	36,568	1,381,915	1,418,483

* Capital Fund Scotland

** Applicable in England Only

An overall increase in usable reserves can arise despite a loss being shown in the Comprehensive Income and Expenditure Statement where statutory provisions allow a different charge to revenue from the authority expenditure incurred (eg replacement of depreciation by minimum revenue provision (MRP)). The adjustment to usable reserves is balanced by a movement in unusable reserves.

Unusable reserves such as the Capital Adjustment Account and the Pensions Reserve with debit balances will need to be funded in the future, even if it is over a long period, so increases in these balances show an increasing burden on future taxpayers.

balance sheet

The balance sheet in local authorities is very similar to other public sector or private sector balance sheets. The balance sheet presents an authority's financial position, ie its net resources at the financial year end. The balance sheet is composed of two main balancing parts: its net assets and its total reserves. The net assets part shows the assets the authority would have control of after settling all its liabilities. The balance of these assets and liabilities is then shown as being attributable to the various reserves of the authority.

For local authorities balance sheet presentation is split between the usable reserves and unusable reserves. Usable reserves are those which the authority can utilise to support future service provision. Unusable reserves cannot be used to support services and include gains and losses where amounts can only become available to support services if the assets are sold. These gains and losses are referred to as unrealised.

Balance sheet (extract)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves represents those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Balance Sheet	Notes	31 March 20X1	
			£000
Property, plant and equipment	12	628,924	The authority's property portfolio
Highways Network Asset	13	1,028,700	The Highways Network Asset (not applicable to district councils). This will be the largest asset balance in a local highways authority balance sheet
Heritage assets	14	3,379	
Investment property	15	4,020	
Intangible assets	16	709	
Long-term investments	17	948	
Long-term debtors	17	3,798	Long term assets ie those expected to provide benefits to the authority beyond 12 months
Long-term assets		1,670,478	
Short-term investments	17	24,060	
Assets held for sale	22	1,409	Current assets ie those anticipated to be consumed in 12 months – the normal operating cycle for the authority
Inventories	18	1,769	
Short-term debtors	20	15,351	
Current assets		42,589	Reconciles to the cash and cash equivalents balance in the cash flow statement
Bank overdraft		(13,767)	
Short-term borrowing	17	(9,500)	
Short-term creditors	23	(21,960)	Current liabilities ie those liabilities anticipated to be settled within 12 months
Current liabilities		(45,227)	
Provisions	24	(4,297)	
Long-term borrowing	17	(89,733)	
Other long-term liabilities	17	(155,327)	Long-term liabilities ie those liabilities that are anticipated to be settled beyond 12 months
Long-term liabilities		(249,357)	
Net assets		1,418,483	Total assets less total liabilities

\ reserves

Reserves – including the General Fund and (where relevant) the Housing Revenue Account – are an indication of the resources available to an authority to deliver services at the balance sheet date. The key messages that members will be looking for in terms of reserves – especially the General Fund and the HRA – are how the balances have changed over the year, whether the balances are still adequate, and what the balances mean in terms of future budgets and services.

Information on the level of reserves can be found in the balance sheet and related notes, and in the Movement in Reserves Statement (and related notes). This latter statement will be more useful in explaining the changes that have taken place during the year.

	Notes	31 March 20X1 £'000
Usable reserves	24	36,568
Unusable Reserves	25	1,381,915
		<u>1,418,483</u>

The minimum requirement in presenting resources is to include only two lines – usable reserves (such as General Fund) and unusable reserves (such as the Revaluation Reserve and the Capital Adjustment Account).
If there are some reserves you do want to show on the balance sheet, that's fine, as long as these totals are shown.

While the balance sheet aims to show those reserves over which members have control, don't forget that some of the unusable reserves will become a charge against the revenue account – or usable reserves – over time. And in some cases, such as the Unequal Pay Back Pay Account, this might be within a year or two.

As indicated above, not all reserves can be used to deliver services, and the Code reflects this by reporting reserves in two groups – 'usable' and 'unusable' reserves. Usable reserves such as the General Fund are those where members will be involved in deciding on the levels maintained, and their use. Unusable reserves such as the Revaluation Reserve and the Capital Adjustment Account are not subject to such member influence.

cash flows

The final statement required by the Code is the cash flow statement.¹ The cash flow statement shows changes in cash flows of the authority during the financial year. It shows net cash flows split into three activities: operating, investing and financing. The cash flow statement shows the resulting movement in the authority's cash and cash equivalents. Cash and cash equivalents include short term investments that are readily convertible and which are subject to only insignificant risk of changes in value.

Cash Flow Statement (extract)

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

	20X0/X1 £000	
Net (surplus) or deficit on the provision of services	14,588	Surplus or deficit taken from the Comprehensive Income and Expenditure Statement
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(36,267)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	11,523	Three groups of transactions: <ul style="list-style-type: none"> ■ Operating ■ Investing ■ Financing
Net cash flows from Operating Activities (Note 26)	(10,156)	
Investing Activities (Note 27)	(24,585)	
Financing Activities (Note 28)	35,140	
Net increase or decrease in cash and cash equivalents	399	
Cash and cash equivalents at the beginning of the reporting period	(14,166)	
Cash and cash equivalents at the end of the reporting period (Note 19)	(13,767)	Cash and cash equivalents figure in the balance sheet

¹ Note the format of the cash flow statement shown is produced under the indirect method.

a checklist of questions to ask about a local authority's financial statements

To assist with the understanding of local authority financial statements a checklist about the core financial statements and the Expenditure and Funding Analysis has been included below.

Checklist	
Expenditure and Funding Analysis	
1	Have any significant differences between budget reports and net expenditure chargeable to General Fund and Housing Revenue Account balances been explained?
2	Are the major statutory adjustments clearly explained and easily understood?
Comprehensive Income and Expenditure Statement	
3	Is the purpose of the Comprehensive Income and Expenditure Statement clear (ie does it show actual financial performance under accounting standards before fiscal adjustments)?
4	Do the service net expenditure figures clearly demonstrate the financial performance of the services on the face of the Comprehensive Income and Expenditure Statement during the year?
5	Are the material items of income and expenditure in the Comprehensive Income and Expenditure Statement presented separately on the face of the Statement or explained in the notes?
6	Do the notes to the Comprehensive Income and Expenditure Statement provide easily understandable information relating to the Statement (or lines within the Statement)?
7	Are there any unexplained significant variances between current and previous year information?
Movement in Reserves Statement	
8	Can the major movements in net worth that occur within the Movement in Reserves Statement be easily identified? Are these explained within the financial statements or Narrative Report?
9	Do the opening balances in the Movement in Reserves Statement match with the closing balances of the preceding year? Are any adjustments to opening balances explained on the face of the Statement and/or in the notes?
10	Is there a clear explanation of the statutory adjustments in the adjustments from income and expenditure charged under the accounting basis to the funding basis line in the Movement in Reserves Statement? (Note this may be linked with the Expenditure and Funding Analysis.)
11	Do the entries on the statutory adjustment line net to nil?
12	Do the related notes on reserves clearly explain the line or columnar items not explained in the Statement?

Checklist

13	Does the Total Comprehensive Income and Expenditure line in the Movement in Reserves Statement agree with the information in the Comprehensive Income and Expenditure Statement?
14	How have the balances of usable reserves moved during the year? Are these balances sufficient to support an authority's financial plans in the immediate future and over the medium term?
Balance Sheet	
15	Does the property, plant and equipment information tell the story of the authority's property portfolio during the year (including the major movements in that portfolio ie major disposals and acquisitions)? Do these balances reflect the authority's asset management strategy? (Note the same question can be asked for local authorities with substantial portfolios of investment properties.)
16	For highways authorities – do the movements in the Highways Network Asset represent the transport management/investment decisions of the authority?
17	Has there been any substantial movement in the pension asset or liability? If yes, has the reason for such a movement been explained and the subsequent consequences described in the financial statements or the Narrative Report?
18	Have there been any new provisions or significant movements in provisions in the year? If yes, have the reasons for making these provisions been set out in the financial statements or any material movements been explained?
19	Have there been any significant movements in the authority's borrowings during the year? Are these movements reflected in your council's borrowing strategy and what impact will this have on the prudential indicators or future investment plans?
20	Are there any significant movements in an authority's investment portfolio? Do these agree with the plans in the authority's treasury management strategies and statutory investment plans?
21	Are there any other significant movements in balances in the balance sheet that are not clearly explained?
22	Do the balance sheet reserves agree with the totals in the Movement in Reserves Statement?
Cash Flow Statement	
23	Do the cash balances in the cash flow statement agree with the relevant balances in the balance sheet?
24	Are the council's cash balances reflected adequately in the council's treasury management strategies?

reminders and questions raised on the IFRS-based code

IFRS – what is it?

International Financial Reporting Standards (IFRSs) are a suite of accounting standards used across the world. The Code of Practice on Local Authority Accounting is based on IFRS standards as adapted or interpreted for local authority circumstances.

The pension deficit is meaningless – why do we have to show it?

The deficit doesn't have to be funded from this year's budget, but it's still a true cost estimated by actuaries – it represents the amount that will need to be found from future budgets to pay for pension entitlements already incurred in delivering services. So it's a real call on future funding arising from past activity. Not showing this would hide the liability that the authority has incurred.

This also applies to other reserves. Like the Pension Reserve, the Capital Adjustment Account, the Unequal Pay Back Pay Account and similar reserves all do one thing: they hold expenditure that the authority has incurred but not yet financed. Think of them as being a bit like a credit card balance – these amounts will have to be funded in future, either from taxation or from usable reserves.

Concerns have been expressed that all these reserves make the balance sheet incomprehensible. But all that needs to be shown on the balance sheet itself are 'usable reserves' and 'unusable reserves' – the details can all go in a note. This will help to declutter the balance sheet.

The financial statements do not clearly demonstrate traditional measures of local authority performance ie General Fund and HRA balances

The IFRS-based Code sets out that local authority financial statements are intended to be used for assessing the stewardship of local authority resources and for making economic decisions. Thus the information is intended for two purposes. The Comprehensive Income and Expenditure Statement presents information on the real economic cost of providing services in the year and it does not show the movement in General Fund and HRA balances. This reconciliation is provided in the Movement in Reserves Statement, whose bottom line shows the General Fund and HRA resources available at year end. CIPFA has reviewed options for making this even clearer. The new Expenditure and Funding Analysis brings together both the accounting measures of performance and the performance against General Fund for council tax setting purposes.

The accounts are too long!

Yes, the accounts can be long, but local authorities have a complex story to tell. But notes only need to be produced if they are material – leaving out notes that aren't material or required by legislation is a good start. CIPFA/LASAAC as standard setter is continuously challenging the need to introduce disclosures and reporting requirements for local government.

What changes were made to the 2016/17 Code?

CIPFA and CIPFA/LASAAC consulted widely in preparation for these changes, particularly the Telling the Story consultation in the summer of 2015. CIPFA also engaged a working group to consider a wide range of proposals for change. Following feedback from consultations from local authority accounts preparers and the work of the Working Group, the Telling the Story consultation set out proposals for change that CIPFA/LASAAC considers will reconnect the financial statements of local authorities with the way those authorities are both organised and funded.

The changes to the 2016/17 Code therefore have two main strands:

- to allow local authorities to report on the same basis as they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement
- to introduce a new Expenditure and Funding Analysis which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the Comprehensive Income and Expenditure Statement in a way that is accessible to the lay reader. This analysis is supported by a streamlined Movement in Reserves Statement and replaces the current segmental reporting note.

The changes to the Code will for the first time allow local authorities to bring together the funding framework and the accounting framework in one analysis.

further reading

Financial Statements: A Good Practice Guide for Local Authorities (CIPFA, 2013)

Clear out the Clutter (Public Finance, April 2014)

Simplified Accounts: Small Isn't Always Beautiful (Public Finance, September 2015)

Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA, issued annually)

Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners
(CIPFA, issued annually)



Registered office:

77 Mansell Street, London E1 8AN

T: 020 7543 5600 F: 020 7543 5700

www.cipfa.org

The Chartered Institute of Public Finance and Accountancy.
Registered with the Charity Commissioners of England and Wales No 231060

Accounting Policies

General Principles

In accordance with the Accounts and Audit (Wales) Regulations 2018, this Statement of Accounts summarises the Council's income and expenditure and financial position for the year ended 31 March 2018. The accounts are prepared in accordance with proper accounting practices as contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on a going concern basis i.e. on the assumption that it will continue to be in existence for the foreseeable future. All operations were classified as continuing and there were no significant acquisitions or discontinuations of service during the financial year.

1. Accounting policies issued but not yet adopted

This section will be updated in the statement of accounts for 2017/18 to highlight the impact of International Financial Reporting Standard 9 – Financial instruments, which is to be introduced in 2018/19. An initial review has indicated that whilst this may result in presentational changes and additional disclosures, there will be no impact on financial performance given the nature of current financial assets held. This will be reviewed in conjunction with WAO.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not when the cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- expenses in relation to services received are recorded as expenditure when the services are received rather than when the payments are made
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debtors are not considered to be collectable, the balance is reduced by a provision for doubtful debt.

3. Cash and Cash Equivalents

Cash is represented by cash in hand, bank balances of cheque book schools and the net balance on all of the Council's other accounts. Cash equivalents include Call Accounts and Money Market Funds that are repayable without penalty on notice of not more than twenty four hours. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

4. Contingent assets and liabilities

These are potential benefits or obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the

Accounting Policies

Council's control. Contingent assets and liabilities are not recognised in the accounting statements but are disclosed in note 32 to the accounts.

5. Deferred Liabilities

Where the Council receives income in advance from developers and other organisations in respect of revenue expenditure such as the future maintenance of assets, the amounts are held in the Balance Sheet as deferred liabilities until such time that the expenditure takes place.

Obligations under finance leases are treated as deferred liabilities and measured on the basis disclosed in accounting policy 19.

6. Disposals and Capital Receipts

When assets are disposed of or decommissioned, proceeds from disposals are credited and the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement in order to calculate a gain or loss on disposal.

Council Fund receipts from disposals greater than £10,000 are treated as capital receipts. Capital receipts are appropriated to the Capital Receipts Reserve from the Council Fund Balance in the Movement in Reserves Statement and can only be used to pay for capital expenditure or to reduce the Council's underlying need to borrow (the Capital Financing Requirement (CFR)). Where sums are due but not yet received they are treated as deferred capital receipts.

The written-off value of disposals is not a charge against council tax or rent, as amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

7. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as wages and salaries, paid annual leave, bonuses and paid sick leave for current employees. They are recognised as an expense for services in the year in which employees undertake the service for the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that there is no impact upon Council Tax.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement. Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year. An accrual is made for the strain upon the Pension Fund and is included on the Balance Sheet as a creditor. Pension strain is payable to the Pension Fund over 5 years. In the Movement in Reserves Statement, appropriations are made to or from the Pensions Reserve to neutralise the impact of this accrual on Council Tax.

Post-Employment Benefits

Employees are members of two separate pension schemes:

- the Teachers' Pension Scheme, administered by the Teachers Pensions Agency
- the Cardiff and Vale of Glamorgan Local Government Pension Scheme, administered by the Council.

Accounting Policies

The Council accounts for pension costs in the main accounting statements in accordance with International Accounting Standard 19 (IAS19). This requires recognition of the fact that although retirement benefits are not actually payable until an employee retires, the Council's commitment to make those payments arises at the time that employees earn their future entitlements. The treatment of pension costs in the accounts depends on whether they are in respect of a defined benefit scheme or a defined contribution scheme.

Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme. The arrangements mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

Defined Benefit Schemes

The Local Government Pension Scheme is a defined benefit scheme and the liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections earnings for current employees.

Liabilities are discounted to their value at current prices, using data from a basket of high quality corporate bonds and government gilts.

The assets of Cardiff and Vale of Glamorgan Pension Fund attributable to the Council are included on the Balance Sheet at their fair value:

- quoted and unitised securities – current bid price
- unquoted securities – professional estimate
- property – market value.

The net pension liability, which represents the Council's attributable share of the Pension Fund's assets and liabilities, is shown in the Balance Sheet.

The change in the net pensions liability is analysed in the following components:

- the current service cost (the increase in the liability as a result of pension earned by employees in the year rather than the cost of contributions paid into the fund) is charged to the net cost of services
- past service costs (the increase in the liability arising from current year decisions whose effect relate to pension earned by employees in earlier years) cover items such as the provision of enhanced or discretionary benefits on retirement and are charged to Corporate Management.
- gains and losses on settlements and curtailments (the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits) are also charged to Corporate Management.
- the net interest on the net defined benefit liability is the net interest expense for the period that arises from the passage of time and is shown within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

Re-measurements comprising the following, are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure:

- the return on the plan assets excluding amounts included in net interest on the defined benefit liability
- actuarial gains and losses as a result of updating values from the last actuarial valuation to reflect conditions at the balance sheet date.

Accounting Policies

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

8. Events After the Balance Sheet Date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where material, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events identified after the date of authorisation for issue are not reflected in the Statement of Accounts.

9. Exceptional Items

Exceptional items of income or expenditure are not expected to recur frequently or regularly, but when they occur and when they are material in terms of understanding financial performance. They are included in the Comprehensive Income and Expenditure Statement as a separate line.

10. Financial Assets

Financial assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are classified into three types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- investments at fair value – assets that have a quoted market price and/or do not have fixed or determinable payments
- fair value through profit and loss – assets that are held for trading.

Where a fair value price that would be received to sell an asset, is estimated and disclosed, either in the accounts or notes to them, inputs to the valuation techniques used to determine fair value are attributed to either of the following in the fair value hierarchy:

Level 1 – quoted prices in active markets for identical assets that the Council can access at the measurement date

Level 2 – inputs other than quoted prices that are observable for the asset

Level 3 – unobservable inputs for the asset.

Loans and Receivables: Initially measured at fair value and carried at their amortised cost. Where assets are identified as impaired, because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument.

Accounting Policies

Interest that is due but unpaid at the end of the year is recognised on the Balance Sheet as a current asset.

Investments at Fair Value: Available-for-sale assets are initially measured and carried at fair value. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses). Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred - these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the reserve.

Where assets are identified as impaired because of a likelihood arising from a past event, that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised.

Where the asset has fixed or determinable payments (e.g. interest), income is credited to the Comprehensive Income and Expenditure Statement for interest receivable based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments (e.g. dividends), income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Investments at Fair Value through Profit and Loss: These are initially measured and carried at fair value. Any movements in fair value, gains and losses that arise on de-recognition of the asset, and investment income is credited/debited to the Comprehensive Income and Expenditure Statement.

11. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. Interest that is due but is unpaid at the end of the year is recognised on the Balance Sheet, as a current liability.

Where a fair value price which is paid to transfer a liability, is estimated and disclosed, either in the accounts or notes to them, inputs to the valuation techniques used to determine fair value are attributed to the same levels as stated under the Financial Assets accounting policy.

Premiums or discounts incurred on the extinguishment of debt are charged immediately to the Comprehensive Income and Expenditure Statement, with regulation being used to mitigate the financial impact on the Council taxpayer by an adjustment from the Financial Instruments Adjustment Account. As such:

- premiums are amortised to the Movement in Reserves Statement over the life of the replaced loan, replacement borrowing or other prudent period
- discounts are amortised to the Movement in Reserves Statement over the life of the replaced loan or 10 years (whichever is the shorter period).

Where restructuring of the loan portfolio involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and amortised to the Movement in Reserves Statement in accordance with statutory regulation.

Accounting Policies

Transaction costs, such as brokers' fees and commission in relation to managing the Council's Financial Instruments, which are not considered material, are charged immediately to the Comprehensive Income and Expenditure Statement.

12. Grants and Contributions

Grants and other contributions are accounted for on an accruals basis and recognised when:

- there is reasonable assurance that the Council will comply with the conditions for their receipt and
- there is reasonable assurance that the grant or contribution will be received.

Revenue

Grants, for which conditions have not yet been satisfied, are carried in the Balance Sheet as Revenue Grants Receipts in Advance. When conditions have been satisfied, the grant or contribution is credited to the relevant service line (specific revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-specific revenue grants) in the Comprehensive Income and Expenditure Statement. Where there is no longer any reasonable assurance that the conditions will be met, sums received will not be recognised as a receipt of grant but as a repayment due to the awarding body and held on the Balance Sheet as a liability if it remains unpaid.

Where the conditions of a revenue grant or contribution have been complied with but it is yet to be used to fund expenditure for the purpose stipulated in the grant agreement, it is set aside in an Earmarked Reserve.

Capital

Grants and contributions that are applied in the year to fund capital schemes that are Revenue Expenditure Funded by Capital under Statute (REFCUS) are treated as revenue income and credited to the Comprehensive Income and Expenditure Statement to the relevant service line.

Capital Grants and Contributions applied in paying for other capital works are credited to the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement. Where a specific capital grant or contribution has been received but remains unapplied, this is deemed to represent a condition and is shown as a creditor, as the unused element could be returned to the funder. Where a non-specific grant such as the General Capital Grant or Major Repair Allowance were to remain unapplied, it would be held as Capital Grants Unapplied Reserve.

Capital grants and contributions are identified separately on the Balance Sheet. Contributions such as those arising from Town and Country Planning Act 1990 obligations usually come with conditions that the funding can be clawed back by the provider if not spent within a certain period of time or if not spent on a specific project. Such items are treated as Capital Grants Receipts in Advance and Capital Expenditure and Other Contributions Receipts in Advance.

13. Heritage Assets

The Council recognises heritage assets where it may have incurred separately identifiable expenditure on their acquisition or preservation or where it has information on the value of the asset.

Heritage assets are included at historic cost if included in the accounts and only measured at fair value where the benefits of doing so outweigh the costs. The valuations are undertaken by A. N. Schoon, Antiques and Fine Art Valuer.

The unique nature of heritage assets makes reliable valuation complex. These difficulties are recognised by the Code and therefore many individual assets are not recorded in the accounts, but additional narrative disclosures are made about the nature and scale of such assets. Accordingly, only paintings, artefacts and civic regalia are shown at fair value in the Balance Sheet

Accounting Policies

and revalued externally at least every three years, based on an insurance valuation. The last valuation took place in 2016/17 and the next is due to take place in 2019/20

No depreciation charge is made on heritage assets.

14. Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council are capitalised. In the case of computer software and licences, this will be capitalised where it relates to the enhancement or development of systems, expenditure on which is deemed to generate long-term economic benefits to the Council in the form of savings and improvements in service delivery. Intangible assets are included in the Balance Sheet at historic cost net of amortisation and are reviewed for impairment and re-valued only where they have a readily ascertainable market value. The assets are amortised to the relevant service line over the economic life of the investment initially set between 3-5 years, and reversed in the Movement in Reserves Statement via transfer to the Capital Adjustment Account.

Gains or losses arising from disposal are recognised in the surplus or deficit on the provision of services

15. Interests in Companies and Other Entities

The Council has interests in companies and other entities. Subject to the level of materiality and exposure to risk, these are consolidated to produce Group Accounts. In the Council's own single entity accounts, the interests in such companies are recorded as financial assets on the Balance Sheet.

16. Inventories

Inventories are measured and held at the lower of cost or net realisable value. When such inventories are sold, exchanged or distributed, the carrying amount is recognised as an expense in the Comprehensive Income and Expenditure Statement.

17. Investment Property

Investment properties are those held solely to earn rentals and/or for capital appreciation. Following a review, these are deemed to include:

- ground leases
- land held for future development as strategic sites
- all other land and buildings that meet investment property criteria, mainly shop premises.

Investment properties are measured at fair value, based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The valuations are undertaken by officers of the Council's Strategic Estates department and Jones Lang Lasalle who are Chartered Surveyors registered in accordance with the Royal Institution of Chartered Surveyors. Full valuations are undertaken every other year, with a desktop review undertaken annually. The last valuation was in 2016/17 and the next will be due in 2018/19.

Fair Value is deemed to be the market value assessed for each asset reflecting highest and best and market conditions at the balance sheet date. Local comparable rental evidence and market yields have been utilised for comparison purposes.

Investment properties are not depreciated. Gains and losses on revaluation and disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Rentals received in relation to investment properties are credited to the relevant service line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Accounting Policies

18. Joint Committees

The relevant proportion of the transactions and balances of Joint Committees are included within the Council's Comprehensive Income and Expenditure Statement and Balance Sheet on a line by line basis. These reflect the transactions and balances as per the accounts prepared for each Joint Committee.

19. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards, incidental to ownership, of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Leases are reviewed at inception and classed as finance or operating by reviewing arrangements, such as:

- transfer of ownership at the end of lease contract
- option to purchase asset at price lower than fair value
- lease term is for major part of economic life of asset
- present value of minimum lease payments amounts to at least substantially all of the fair value of leased asset
- leased assets are specialist and only lessee can use them without major modifications.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment, are accounted for under this policy, where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at fair value measured at the inception of the lease. The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term, if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

For plant and equipment the Council has set a de-minimis level of £75,000 for leases to be recognised as finance leases.

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are, therefore, substituted by a revenue contribution in the Council Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Payments for operating leases are charged to the relevant service line on an accruals basis. The charges are made evenly throughout the period of the lease.

The Council as Lessor

Finance Leases

Accounting Policies

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset on the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement, as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset on the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the Council Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is transferred out of the Council Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is transferred out of the Council Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

20. Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered, principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held

for Sale if it meets the following criteria:

- be available for immediate sale in its present condition
- sale must be highly probable
- be actively marketed or have identified prospective purchasers
- the sale expected to be completed within one year.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where this results in a loss, this is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. Annual reviews are undertaken as to whether assets still meet the criteria for Assets Held for Sale and where this is not the case they are reclassified and revalued in accordance with the appropriate class.

Accounting Policies

21. Overhead and Support Services Costs

The costs of overheads and support services are allocated to directorates in accordance with the Council's arrangements for accountability and financial performance.

22. Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected by amending opening balances and comparative amounts for the prior period.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or performance. Any change is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

23. Property, Plant and Equipment

These assets are those that have physical substance used in the production or supply of goods or services, those intended to be held indefinitely and those for the promotion of culture and knowledge and expected to be used during more than one financial year.

Recognition:

Expenditure on the acquisition, creation or enhancement of such assets is capitalised on an accruals basis. All expenditure incurred on existing assets is assumed to result in enhancement of the asset and will be shown in the accounts as an addition to the asset. This, together with a 3-year rolling programme of revaluations, ensures that the values of land and buildings carried in the accounts are not materially misstated and ensures a sustainable cost/benefit approach to valuation and accounting for capital expenditure on land and buildings in the year.

Expenditure that maintains but does not add to an asset's potential to deliver benefits or service potential (i.e. repairs and maintenance) is charged to revenue as it is incurred.

The Council has a de-minimis policy of £1,000 with regards to the capitalisation of expenditure in connection with Council dwellings.

The Council recognises Voluntary Aided, Voluntary Controlled and Foundation Schools on the Council's Balance Sheet if it owns the land and can accordingly direct the use of the assets.

Measurement:

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the specific asset into working condition for its intended use. The Council does not capitalise borrowing costs.

These assets are then carried on the Balance Sheet using the following measurement bases:

- Council Dwellings – Existing Use Value for Social Housing (EUV-SH) This is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, on the assumption that the property will continue to be let and used for social housing. The Council has used a discount factor of 40% in the current valuation to adjust beacon values to existing use value.
- Other Land and Buildings - Existing Use Value is used as the basis for determining current value. Where there is no market-based evidence, because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. For schools land

Accounting Policies

and buildings, a detailed approach to DRC, known as Modern Equivalent Asset (MEA), is used, due to the much specialised nature of these assets.

- Vehicles, Plant Furniture and Equipment, Infrastructure Assets, Community Assets and Assets under Construction – Depreciated historical cost.
- Surplus Assets - Fair Value, based on highest and best use.

Revaluation:

Council dwellings, other land and buildings and surplus assets are required to be revalued periodically. Asset revaluations take place with an effective date of 1 April of the financial year and are undertaken by professional valuers.

The Council must balance the requirement to ensure carrying amounts are not materially different from their fair or current value at the year-end, with the time, costs and resources involved in providing valuation services for accountancy purposes. It does this by:

- undertaking an annual impairment review of property with the Council's in-house valuation team to identify significant changes
- using the experience and local knowledge of the in-house valuation team to provide or source any external valuation services. This ensures finance are made aware of all property issues affecting the Council
- having an agreed rolling programme of revaluation which is shorter than the minimum 5 year cycle required by the Code in order to ensure there is sufficient, regular and consistent coverage of all classes of assets.

Revaluations of the Council's property assets are undertaken on a minimum 3 yearly rolling programme basis, or where there is a major refurbishment of an asset, a new valuation will be sought in the year of completion and a revision is made to the useful life. The planned valuation timetable is shown below:-

Asset	2017/18	2018/19	2019/20
Council Dwellings		X	
Other Land & Buildings - Schools			X
Other Land & Buildings – Other		X	
Surplus Assets	X	X	X

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service line.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only; the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment and Downward Revaluation:

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired in value, either due to a significant reduction in service potential, e.g. service delivery from that asset ceasing, or significant permanent market value reductions (downward revaluation). Where either type of loss is identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

Accounting Policies

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation:

Depreciation is provided for on all Property, Plant and Equipment assets by an allocation of their depreciable amounts over their estimated useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and community assets), as well as assets that are not yet available for use (i.e. assets under construction). For assets depreciated by the Council, it charges a full year's depreciation on capital expenditure incurred in the year.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets, and the depreciation that would have been chargeable based on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation is calculated on the following range of useful lives:

Asset category	Initial Useful Life in years
Council Dwellings	50
Land	n/a
Buildings	3-65
Vehicles, Plant, Furniture and Equipment	5-15
Infrastructure*	7-120
Community Assets, Surplus Assets	n/a

*Included within Infrastructure is the Cardiff Bay Barrage, which is being depreciated over the design life of 120 years

Component Accounting:

Where a single asset may have a number of different components, each having a different useful life, three factors are taken into account to determine whether a separate valuation of components is to be recognised in the accounts in order to provide an accurate figure for depreciation.

These factors are:

- materiality with regards to the Council's financial statements. Componentisation will only be considered for individual non-land assets that have a net book value of more than £1.5 million at the end of the financial year
- significance of component. For individual assets meeting the above threshold, where services within a building (Boilers/Heating/Lighting/Ventilation etc.), or items of fixed equipment (Kitchens/Cupboards) is a material component of the cost of that asset (> 30%), then those services/equipment will be valued separately on a component basis
- difference in rate or method of depreciation compared to the overall asset. Only those elements that normally depreciate at a significantly different rate from the non-land element as a whole, or that require a different method of depreciation will be identified for componentisation.

Accounting Policies

Assets that do not meet the tests above can be disregarded for componentisation on the basis that any adjustment to depreciation charges would not result in a material misstatement in the accounts.

Where assets are material and to be reviewed for significant components, it is recommended that the minimum level of apportionment for the non-land element of assets is:

- plant, equipment and engineering services
- structure.

Professional judgement will be used in establishing materiality levels, the significance of components, useful lives, depreciation methods and apportioning asset values over recognised components.

24. Provisions

Provisions are made when, as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount but the timing of the settlement is uncertain.

Provisions are charged as an expense to the appropriate service line in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision, which is held on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and provisions that are no longer required are credited back to the relevant service line.

25. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions, but that does not result in the creation of a non-current asset, is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

26. Reserves

The Council sets aside amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. The reserve is then appropriated back into the Movement in Reserves Statement so that there is no net charge against Council Tax or rent for the expenditure. Certain reserves are maintained to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits. These do not represent usable resources for the Council.

27. Value Added Tax

Value Added Tax payable is included as an expense only to the extent that is not recoverable from HM Revenues and Customs. VAT receivable is excluded from income.

Mae'r dudalen hon yn wag yn fwriadol

Assumptions made about the future and other sources of estimation uncertainty

The Statement of Accounts contains figures that are based on assumptions or estimates about the future or that are otherwise uncertain. Whilst these take into account historical experience, current trends, professional guidance and other relevant factors, actual results could be different. The main items in the Council's Balance Sheet at 31 March 2018 for which there is a risk of adjustment in future financial years are:

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Valuation, where required of Property, Plant and Equipment assets, Heritage assets and Investment properties	Valuation of property interests involves assessment of a number of variables such as market conditions, useful life, cost of reconstruction, assessment of condition, use of a discount factors for social housing etc. Valuations are undertaken on a more frequent basis than the minimum 5 year period to ensure valuations and impact of assumptions are regularly reviewed. Indications of any significant impairment are considered annually. Valuations are undertaken by qualified Chartered Surveyors, or experts in the relevant field in accordance with the Practice Statements and Guidance notes set out in the Royal Institution of Chartered Surveyors (RICS) Valuation Standards (The Red Book) and any other relevant guidance or experience.	Any changes to valuations and any associated depreciation charges to services for non current assets are required to be reversed out in the accounts, so this will not have an impact on Council Tax or rents.
Financial Instrument assets	These are reviewed annually for significant impairment using data such as historic risk of default and other reviews of recoverability. For financial assets not quoted on a recognised exchange or where it is difficult to provide accounting valuations where required e.g. valuations of the Council's shareholding in Cardiff City Transport Services Ltd, an estimate using multipliers of Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) are used.	Any change in the fair value of Cardiff City Transport Services Ltd as a result of the use of multipliers can be significantly variable, however this has no impact on the level of Council Tax as changes are reflected by a corresponding amendment in the available for sale reserve.
Provisions	The Council makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made at the balance sheet date. In most cases these are subject to legal claims such as those for insurance. Provisions relating to landfill sites subject to a high level of estimation primarily given the length of period over which they are to be considered. Professional internal and external advice is used to determine the need and value of provisions.	The outcomes of assumptions will have an impact on the Outturn in future years, however due to the uncertain nature of these events, are difficult to quantify.
Arrears	At 31 March 2018, the Authority was owed for items such as sundry debtors, Council Tax, Non Domestic Rates (NDR) and rents. After taking into account trends in past collection experience and other relevant changes that may impact on collectability such as the economic climate, a level of impairment or provision for doubtful	Improvements in collection will improve future reported Outturn position, however where customers are finding it difficult to pay this will require increases in the level of provisions currently set aside.

Appendix 3

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
	debts is assumed which may, or may not be sufficient.	
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, inflation, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Professional actuaries are engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions are difficult to measure as they interact in different ways.

CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD



AUDIT COMMITTEE: 27 March 2018

DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18

REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 6.1

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 Accounts and Audit (Wales) Regulations 2014 as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018, require Authorities to carry out an annual review of the effectiveness of the system of internal control, and this is represented in the AGS.
4. The AGS review is structured around the principles of the 'Delivering Good Governance in Local Government' framework, which has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE).
5. The final AGS will form part of the Council's Statement of Accounts 2017/18. The draft AGS included in Appendix A has been prepared prior to the year-end, and currently contains a number of gaps as many of the review activities take place after the financial year end.

Issues

6. The AGS summarises the Council's assessment against the governance framework through three key elements:
 - 1) Statements from the Audit Manager, Audit Committee and Senior Management;
 - 2) A Senior Management review of the Council's significant governance issues;
 - 3) Supporting information and evidence mapped to the core and supporting good governance principles of the CIPFA Framework.

Assurance Statements

7. The opinion of the Audit Committee from its Annual Report will be included in the AGS, together with statements from the Audit Manager and Senior Management on the system

of internal control at the year-end position. These statements will be approved and added to the AGS following the financial year-end.

8. The Senior Management Statement represents the collective assurance from the Senior Management Team which will follow a review of the results of the year-end Senior Management Assurance Statements (SMAS) from each Director in April - May 2018.
9. Audit Committee received the mid-year SMAS analysis in January 2018, and the year-end SMAS analysis will be provided to Audit Committee in June 2018.

Significant Governance Issues - Action Plan

10. 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 and the Corporate Risk Register.
11. 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.
12. Audit Committee received the mid-year Action Plan from the SMT in January 2018 and the year-end Action Plan will be reported to Audit Committee in June 2018.

Supporting Information

13. The draft AGS has been populated with supporting information against each of the core and supporting good governance principles of the CIPFA Governance Framework. The areas and sources of additional information to be populated following the financial year-end have been indicated in the appended draft AGS.

Legal Implications

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

Financial Implications

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

Recommendation

16. Audit Committee to consider:
 - the Council's corporate governance arrangements against the good governance framework.
 - whether the content of the draft Annual Governance Statement 2017/18 properly reflects the risk environment and supporting assurances.

**CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES**

The following Appendices are attached:

Appendix A - Draft Annual Governance Statement 2017/18

Mae'r dudalen hon yn wag yn fwriadol

Draft Annual Governance Statement 2017/18

1. Scope of Responsibility

1. The City of Cardiff Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.
2. The Council is responsible for the Cardiff Harbour Authority, which is subsumed in the Council. The Council is also the Administering Authority for the Cardiff and Vale of Glamorgan Pension Fund (the Pension Fund) and Cardiff Port Health Authority (CPHA), and is the Accountable Body for the Cardiff Capital Region (CCR) City Deal. The governance arrangements detailed in this Annual Governance Statement (AGS) are documented in consideration of the Council's areas of responsibility, and the extent to which the Council is charged with governance.
3. The Council has adopted the '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). This statement explains how the Council has complied with the Governance Framework and meets the requirements of the Accounts and Audit (Wales) Regulations 2014, as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018.
4. The governance arrangements in the Council's three wholly owned subsidiary companies which traded in 2017/18, namely Cardiff City Transport Services Ltd. (Cardiff Bus) Cardiff Business Technology Centre (CBTC) and Atebion Solutions are subject to periodic review. These were not reviewed by the Council in 2017/18. The Council also has an interest in a special purpose vehicle (CSC Foundry Limited) which is governed by a Joint Committee for the CCR City Deal.

2. The Purpose of the Governance Framework

5. The Governance Framework comprises the systems, processes, culture and values by which the Council is directed and controlled and the means through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The Council's Constitution sets out how decisions are made and the procedures which are followed through rules, codes of practice and protocols.
6. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives but is based on an ongoing process to identify, prioritise and appropriately manage risk.
7. A draft Code of Corporate Governance (Code) has been developed this year which documents how we apply the principles of good governance (*as summarised in Section 4 of the AGS – Assessment Process and Summary*). The draft Code was reviewed by the Audit Committee in January 2018 and will be considered by the Constitution Committee following the financial year end. Once the full approval process has completed, the Code will be included in the Council's Constitution.

3. The Governance Framework

8. The Framework comprises two core principles and five supporting principles. Principles A and B permeate implementation of principles C to G but good governance is dynamic, and the Council as a whole is committed to improving governance on a continuing basis through a process of evaluation and review.

Core principles

- a. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- b. Ensuring openness and comprehensive stakeholder engagement.

Supporting Principles

- c. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- d. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- e. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- f. Managing risks and performance through robust internal control and strong public financial management;
- g. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

4. Assessment Process and Summary

9. The AGS summarises the assessment of governance against the governance framework and comprises three elements:
- 1) Statements from Senior Management, the Audit Manager and the Audit Committee;
 - 2) Supporting information and evidence mapped to the core and supporting good governance principles;
 - 3) A Senior Management review of the Council's significant governance issues.
10. The three elements above when taken together represent the assessment of governance, through the perspectives of the Senior Management Team (SMT) and the independent opinions of the Internal Audit Manager and Audit Committee based on their respective programmes of work and an assessment of the system of internal control.
11. For further information and detail, supporting information is mapped to the governance framework principles (a-g) within the AGS and followed by an open disclosure from the senior management team (SMT) of the significant governance issues affecting the organisation as summary actions to take forward and address.
12. The diagram below sets out the components of this assessment.



i) Assurance Statements

13. The following statements are made at the year-end, upon consideration of the performance information, governance disclosures and audit and regulatory report findings from assessors both internal and external to the Council.

Senior Management Statement

To be completed following the financial year end 2017/18

Audit Manager Statement

To be completed following the financial year end 2017/18

Audit Committee Statement

To be completed following the financial year end 2017/18

ii) Governance Framework - Supporting Information

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

14. All Members and Officers in the Council are required to comply fully with Codes of Conduct as set out in the Constitution, which sets out the particular roles and responsibilities of Officers and Members and provides clarity on the interfaces between these roles. These include:
 - Functions and subsections delegated to officers;
 - Members' Code of Conduct;
 - Employees' Code of Conduct;
 - Protocol on Member / Officer Relations;
 - Cardiff Undertaking – signed by all Members upon election and underlines their duties to the City and its citizens.
15. The Director of Governance and Legal Services is the Monitoring Officer, with the specific duty to ensure that the Council, its Officers, and its Elected Councillors, maintain the highest standards of conduct in all they do based on Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000.
16. The Standards and Ethics Committee has a responsibility to monitor and scrutinise the ethical standards of the Authority, its Members, employees and any associated providers of the Authority's services, and to report to the Council on any matters of concern. The Committee is chaired by an independent person and its role includes determining the outcome of complaints against Councillors and Co-opted Members and monitoring the Council's whistleblowing procedures. **Complaint statistics and information will be added after the financial year end 2017/18.**
17. A strong commitment is made to ensuring the Council's Codes of Conduct are upheld. In 2015, complaints about a Councillor's conduct were referred by the Monitoring Officer to the Public Services Ombudsmen for Wales. This resulted in the conclusion in March 2017 through a Case Tribunal by the Adjudication Panel for Wales (APW) that the Member had failed to comply with the Council's Code of Conduct. The Councillor was suspended from acting as a member of the Council for one month.
18. In May 2017, Councillor Huw Thomas was elected as the new leader of the Council and appointed a new Cabinet. In order to learn lessons from the experiences of Councillors whilst in office, prior to the election a Member Exit Survey was completed in February 2017. 61% of respondents reported that they would stand for re-election, with those standing down citing 'retirement', 'work-life balance/time pressures', 'dissatisfaction with role' and 'other' reasons as most related to their decision. Personal experience of bullying and discriminatory behaviours were reported at rates of 37% and 34% respectively. Witnessing bullying and discriminatory behaviours were reported at 68% and 79% respectively between Councillors and at 32% and 21% respectively between Councillors and Officers.
19. To address the matters raised in the Member Exit Survey, a HR counselling service has been made available to all Members. The survey findings were also taken into account in the development of a Member Induction Programme for new Members. A further Member Survey then took place in Autumn 2017 to seek feedback on the quality and completeness of the Member Induction, and to identify Member experiences of bullying and other unacceptable behaviours. In February 2018, the Democratic Services Committee received the findings of the survey relating to the Member induction, through which 97% of respondents rated the induction day as useful or very useful and 96% found the formal training / facilitated group training useful. Actions were identified in relation to technology support, mentoring / peer support and administrative processes, which have been considered by the Director of Governance and Legal Services for further development.

20. **The Standards and Ethics Committee received analysis of the responses relating to Member conduct and behaviour in March 2018.** Most Councillors (55%) who responded, reported that they had had no personal experience of bullying, discrimination, or other unacceptable behaviours in their roles. A similar proportion (58%) reported they had not witnessed any unacceptable behaviours, representing an improved position overall from the Member Exit Survey.
21. For Members, the 'Cardiff Undertaking' sets out expectations of conduct in accordance with the 'Principles of Public Life'. The Corporate Assessment Follow-on, issued by the Wales Audit Office (WAO) in February 2016, recognised these governance arrangements, but concluded that the Standards and Ethics Committee could do more to visibly enforce the principles of the Cardiff Undertaking. To address this recommendation the Standards & Ethics Committee introduced biannual Member Briefings which have continued to report on the work of the committee and underline the importance of the Cardiff Undertaking, member conduct and behaviour.
22. An Officers' Personal Interests & Secondary Employment Policy requires staff to disclose any personal interest which actually or potentially conflicts with their duties to the Council and all secondary employment. The policy sets out how all Council employees are obliged, under the Employees' Code of Conduct, to ensure that their private interests do not conflict with their public duties, and to comply with the Council's rules on the registration and declaration of financial and non-financial interests.
23. The Council's Corporate Values focus on fairness, openness and working together. The Council supports a culture of behaviour based on these values which guide how the long term vision of the Council is put into effect, as well as how Members and Officers deliver their day to day roles. Corporate and directorate planning and personal performance and development arrangements are aligned to delivering corporate values and priorities.
24. An Employee Survey 2017 has demonstrated an improvement in staff experiences and perceptions across all 10 response statements since last conducted in 2015. The survey which excluded school-based employees, had a response rate of 33.9% and covered matters including information, communication and engagement, learning and development, performance management, health and wellbeing, council values, priorities and the employee charter. For each best practice statement a 'high level' of agreement was the most frequent response, with an average (mean) response of 'medium level' of agreement.
25. The Workforce Strategy and Employee Charter have been in place throughout 2017/18 and are underpinned by the Council's vision and values and aligned to the Corporate Plan:
 - The Employee Charter sets out the expectations of employees, managers and senior managers and has formed part of the objective setting process for personal performance and development reviews. It aims to address the issues raised by the Wales Audit Office in September 2014 as part of the Corporate Assessment and the earlier Welsh Local Government Association (WLGA) Peer Review.
 - The Workforce Strategy seeks to deliver outcomes for and with employees, within a culture that supports a flexible, skilled, engaged and diverse workforce.
26. The Council takes fraud, corruption and maladministration very seriously supported by the following policies to prevent, and manage such occurrences:
 - Financial Procedure Rules;
 - Contract Standing Order and Procurement Rules;
 - Whistleblowing Policy;
 - Fraud, Bribery & Corruption Policy;
 - Money Laundering Policy and Procedure;
 - ICT Security Policy;

- Data Protection Policy & Procedure;
 - HR policies regarding investigation and discipline of staff.
27. Induction training is undertaken by staff to ensure awareness and understanding on a range of policies, procedures and regulations including those relating to Financial Control, Data Protection, Health & Safety, Equalities and IT Security. Induction training also ensures that staff are aware of the corporate values and how they should be applied.
 28. The Council has a Whistleblowing Policy in place through which staff and contractors are encouraged to speak out on misconduct or illegal behaviour within the organisation, which affects the public or other people (making a disclosure in the public interest). **Whistleblowing statistics will be added after the financial year end 2017/18.**
 29. The Corporate Director Resources is the Council's Section 151 Officer with overall responsibility for the financial administration of the Council. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

B. Ensuring openness and comprehensive stakeholder engagement.

30. Through its Corporate Values, the Council outlines a commitment to being "open and honest about the difficult choices we face, and allowing people to have their say on what's important to them and their communities." Consultation, engagement and joint working with citizens are central to delivering this value and are outlined as follows.
31. To support openness, the Council is focusing on publishing increasing amounts of data through the development of an Open Data Strategy as part of the Council's Publication Scheme. It has adopted the UK government's approach to publishing data to a minimum of 3 stars out of a 5 star scale. This means data should be easily accessible and available to re-use as required (subject to terms outlined in the Open Government Licence). This year, the Information Governance Team has continued to identify data sets for publication and maintain the publication of existing data sets.
32. There is open debate and challenge on performance and risk management with quarterly reporting and review in Senior Management Team (SMT) and further challenge and oversight in Cabinet, Scrutiny and Audit Committee meetings. A Risk Management Steering Group is in place to develop and review risk management policy and accountability frameworks and to support SMT in identifying new and emerging corporate risks. A 'Star Chamber' is used by the Chief Executive, Directors and Cabinet Members to agree actions arising from an open debate of performance and service delivery challenges.
33. Meetings of the Council, Cabinet and Committees are generally open to the public to attend except where confidential or exempt information is being discussed, as defined by the law. Full Council meetings include a facility for public questions, and the Council's Scrutiny Committees invite stakeholder contributions to their scrutiny programme, both through research and consultation exercises and through direct access to Committees. Throughout 2017/18 the Council has webcast Council and Planning Committee meetings and webcasting has been introduced for three Scrutiny Committee meetings to enable wider public accessibility. Papers and reports are also available on the Council's website.
34. The public and other stakeholders are given the opportunity to tell the Council what they think about the services provided through the Council's Comments, Complaints and Compliments Policy. It reflects guidance given in the Welsh Government Model Policy and Guidance Paper for Handling Complaints, as well as guidance received from the Public Service Ombudsman for Wales and places a greater emphasis on a prompt resolution of complaints. Cabinet is informed annually of the number of complaints received.

35. Citizens, communities and partners have been engaged in a three year conversation 'The Cardiff Debate' about the future of public services in Cardiff. Consultation on the 2017/18 budget involved 2,520 people completing a 'Changes for Cardiff' survey and public views were also given via petitions, social media, attendance at 'drop-in' public engagement events, and through correspondence. The consultation ran for more than five weeks and included eighteen community engagement events, an online questionnaire, social media promotion and hard copy questionnaires distributed across the city.
36. Regular meetings are held with Institutional stakeholders to whom the Council is accountable, which include the Welsh Government and the Council's External Auditors (Wales Audit Office). Efforts have also been made to foster open and effective relationships between the County Council and the six Community Councils in Cardiff through a Community Councils Charter ("the Charter"). It reflects the model Charter issued by the Welsh Government in the Local Government (Wales) Measure 2011 and is based on equality of partnership between the two tiers of local government.
37. The Cardiff Public Services Board (PSB), represents a statutory partnership of public and voluntary sector organisations, chaired by the Leader of the Council to deliver the requirements of the Wellbeing of Future Generations Act 2015 and the 'What Matters' single integrated partnership strategy. This year, the strategic focus of the PSB has been the development of a statutory local Well-being Plan for launch in April 2018, in which well-being objectives have been established to support the delivery of national well-being goals. The Well-being Plan responds to the evidence set out in a Well-being Assessment and focusses on the areas of public service delivery which fundamentally require partnership working between public and community services, and the citizens of Cardiff. The Draft Well-being plan was subject to Policy Review and Performance Scrutiny in November 2017, and 12-weeks of consultation and engagement through locality events. **Final approval was given by the PSB, Full Council and statutory member organisations prior to the end of the financial year.**
38. Neighbourhood Partnerships of multi-agency staff are currently under review. Work has been scaled back this year and new arrangements are still under consideration for next year. The intention of the review is to understand how locality based partnership working and Council resources can be better aligned and managed so as to deliver person centred, joined up and complementary services in our communities.
39. The Council regularly engages in consultation with the Trade Unions and a 'Partnership for Change Agreement' was signed off in February 2015. This supports the Council's Leader, Cabinet and Trade Unions in working together to reform Council services in a cost effective manner, providing a level of certainty for staff on major issues and protecting jobs wherever possible.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.

40. The Corporate Plan sets out the organisation's priorities and clear improvement objectives to be delivered with the support of Lead Members. It was approved by Council in February 2017 for the period 2017 – 2019, informed by the consultation on budget proposals for 2017/18. It sets the strategic direction and provides a framework for Directorate Delivery Plans and performance management objectives. Corporate Plan priorities were maintained from last year as below:
 - Better education and skills for all
 - Supporting vulnerable people
 - Creating more jobs and better paid jobs
 - Working together to transform services
41. The delivery of the Corporate Plan is monitored through the Council's Performance Management Framework, which includes:

- Performance Challenge sessions of the Council's Senior Management Team;
 - Joint Cabinet and Senior Management Team Performance Challenge meetings;
 - A Challenge Forum involving Members, Senior Officers and external peer support to challenge the Council's progress against its improvement journey and the delivery of the Corporate Plan
42. Following the election of a new leader in May 2017, the 'Capital Ambition' was approved as a statement of the new administration's priorities in July 2017, which includes "commitments for Cardiff" which cover all of the Council's services. The Capital Ambition sets out how a series of principles will underpin the development of the Council in the coming years, namely: getting the basics right, digital first, putting communities front and centre, joining-up of frontline services, purposeful partnerships and a new deal for citizens. The four priorities are:
- Working for Cardiff: Making sure that all our citizens can contribute to, and benefit from, the City's success
 - Working for Wales: A successful Wales needs a successful capital city
 - Working for the Future: Managing the city's growth in a sustainable way
 - Working for Public Services: Making sure our public services are delivered efficiently, effectively and sustainably in the face of rising demand and reducing budgets
43. The Council has committed to the Sustainable Development Charter and making decisions that produce the best long-term outcomes for Cardiff and the future of Wales. The Council participates in the CCR City Deal, which aims to enhance development, infrastructure, land use, economic development and employment. Its proposals are supported by a £1.2bn fund with a target of creating 25,000 jobs by 2036, leveraging £4bn of private sector investment and securing economic growth. The CCR City Deal involves the UK Government, Welsh Government and ten Council's working together, through joint enterprise.
44. A CCR City Deal five year strategic business plan was approved by the Regional Cabinet of 10 local authority leaders in February 2018, to detail how £495 million of the funding will be used to deliver its outcomes. Two significant investments have been approved by Regional Cabinet this year. Funding of £37.9 million has been allocated to support the development of a semiconductor industry cluster in the region, which aims to leverage up to £375 million of private sector investment, and create up to 2,000 high value jobs. The Regional Cabinet has also agreed to commit £40 million in principle to support the £180 million Metro Central Development, a project to deliver a new Central Transport Interchange in Cardiff's core employment zone.
45. In December 2017, Cabinet approved a four year Capital Ambition Delivery Programme to replace the Council's Organisational Development Programme (ODP). The establishment of the Capital Ambition Delivery Programme followed an independent review of the ODP in May 2017, which concluded that the change programme had effectively served its purpose and should allow the Council to respond and adapt to the changing operational environment. In line with the recommendations of the independent review, the new programme focusses on a smaller number of transformational programmes which are aligned to the delivery of corporate priorities and budgets. The Capital Ambition Delivery Programme is composed of two discrete components:
- Modernisation: Transformation of corporate systems and processes that support service delivery, led by the Corporate Director - Resources; and
 - Resilient Services: Transformation of front-line services, led by the Corporate Director - People and Communities.
46. The Final Local Government Settlement for 2017/18 for Cardiff was received in December 2016, equating to a funding increase of 0.5%. Additional cash of £2.3 million was allocated compared with 2016/17, but the actual increase in spending power was £294,000 once new responsibilities and other differentiating year on year factors were taken into account.

47. Consultation on the Council's 2017/18 budget proposals "Changes for Cardiff" ran from 10 November 2016 – 16 December 2016. As outlined under principle *B. Ensuring openness and comprehensive engagement* of this AGS, a number of mechanisms were used to ensure the consultation was as accessible as possible.
48. The Council has predicted a budget gap of £73.5 million over the next three years. The outlook over the medium term remains a matter of concern and the Budget Report 2018/19 details the challenges in respect of ongoing financial austerity, increasing financial pressures and the difficulty offsetting and realising year on year budget savings. A deliverable Budget Strategy has been a key document for meeting the radical changes which must continue to be made to the shape of the organisation in order for it to remain operational and resilient.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes.

49. To ensure decision makers are well informed, all decisions taken by Members are supported by written reports from officers which include assessments of the legal, HR and financial implications arising from the decision. Such reports address the key risks involved in particular decisions and alternative courses of action which are available.
50. To support delivery of the requirements of the Well-being of Future Generations (Wales) Act 2015, the Council has developed well-being objectives and a well-being statement as part of the development of the annual Corporate Plan. This process has helped to integrate the sustainable development principle and the Act in organisational processes and decision making.
51. 'Ask Cardiff' is the Council's largest and longest running engagement activity, and since 2002 it has enabled citizens to share their views of the city and a wide variety of public services. The Corporate Plan 2017-19 has been informed by the views of over 4,000 people who took part in 'Ask Cardiff', together with the 2,520 people who took part in the 'Changes for Cardiff' budget consultation.
52. To ensure staff are consulted and involved in decision making, various channels of communication are used including Corporate Roadshows, the Chief Executive's Update, joint updates from the Leader and Chief Executive, Core Brief, 'Our News' newsletter and 'Your Inbox' circulars. A Council Ambassador Network has employees at all levels from across the Council helping to take forward the four corporate commitments from the Employee Survey namely: Health and Wellbeing; Performance Management; Learning and Development; and Employee Voice.
53. Consultation on draft decisions resulting from budget proposals is robust and the impact on citizens and service users is an important consideration. The Cardiff Debate and 'Changes for Cardiff' communications with citizens have been an important means of identifying and designing services to meet the needs and expectations of service users and citizens in Cardiff in the context of budgetary constraints. To support robust project based decision making, the Council has developed a Business Case template using the Office of Government Commerce (OGC) "Five Case Model", as recommended by HM Treasury for use by Public Sector bodies.
54. The Council has a performance management framework to facilitate and measure the delivery of priorities at City, Council, Directorate and officer levels. The framework includes statutory National Strategic Indicators together with local indicators to support a wide understanding of performance. The annual performance against these indicators is submitted to the Welsh Government to be audited as part of the revised Wales Programme for Improvement as a result of the Local Government (Wales) Measure. This framework ensures that there is alignment between Performance against the Council's targets, and that objectives are reported publicly on a quarterly and annual basis.

55. The Council's Budget Strategy has developed from an incremental budgeting approach, to one where budgets are informed to a greater extent by corporate priorities and the required future shape of the organisation. The change in approach was first made to inform the 'Budget Strategy 2016/17 and the Medium Term', from which the momentum for forward planning continued in preparing the 2017/18 budget, by bringing forward the usual focus of budget strategy tasks by at least one quarter.
56. The themes for savings in the Budget Strategy for 2017/18 were aligned with general budgetary questions that formed part of the Ask Cardiff consultation, in synergy with the Council's corporate plan priorities, as follows.
- Income generation
 - Working with partners and others
 - Use of technology
 - Review of Subsidies and grants
 - Internally facing proposals
 - Second / third year of proposals
 - Service reduction / redesign
57. To provide greater confidence in the delivery of savings, the 2017/18 directorate proposals were submitted, and subject to challenge to ensure clearer ownership, accuracy, feasibility, achievability and risk management.
58. The Wales Audit Office (WAO) conducted a review into the financial resilience in Cardiff Council in March 2016, to assess whether the council effectively manages budget reductions in order to ensure ongoing financial resilience. The conclusion was that
- 'The Council has improved its arrangements for financial planning and has sound financial control and governance arrangements but now needs to develop robust plans to support the timely delivery of its savings proposals'.*
59. The Council's financial control and governance arrangements were assessed as low risk, and financial planning as medium risk. This was consistent with the findings of the WAO follow on report published on 26 February 2016, which recognised that the Council has improved its Medium Term Financial Plan / Programme (MTFP) arrangements and had raised the profile of financial resilience but through which four specific recommendations were made to further strengthen financial planning processes.
60. The Council's risk management guidance emphasises the requirement to incorporate risk management into all levels of business, including the management of shared risks through programme, project and partnership arrangements.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.

61. The Council has put in place a commitment to effective leadership, recognised in the WAO Corporate Assessment Follow On 2016, which concluded that:
- 'The Council has put in place better arrangements to support improvements and to address longstanding issues, but is now at a critical point in embedding them if it is to achieve a step change in delivering improved outcomes'.*
62. WAO recognised a more engaged culture, with good Member and officer commitment to attending and engaging in full Council meetings. They reported a need to improve more variable Member engagement observed in Scrutiny Committee meetings, the Leader's meetings with opposition leaders, the Challenge Forum, Member Training and Member

Briefing sessions. The requirement to clarify some roles and responsibilities within the Council's decision making framework was also reported.

63. The Council developed a Statement of Action to respond to the Follow On Corporate Assessment and a Performance and Governance Programme to further develop and embed performance management arrangements. Between February and May 2017, the Wales Audit Office reviewed the Council's progress in relation to its Statement of Action. The subsequent report of this work concluded that the Council has demonstrated sufficient progress in implementing the 2016 proposals for improvement and is in the process of embedding new performance management and reporting arrangements.
64. Decision making responsibilities and authority are clearly set out in the Council's Constitution. It documents the roles and relationships for decision making, between the Full Council, the Cabinet, Scrutiny and other Non-Executive Committees. It also details decisions delegated to senior officers through the different management tiers.
65. Following election as Leader of the Council in May 2017, Cllr Huw Thomas formed a new Cabinet. The Cabinet is the part of the Council which is responsible for most major decisions. The Cabinet is made up of the Leader elected by the Council, and up to nine other councillors whom he/she nominates for approval by the Council. The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.
66. The Council's programme of strategic business change has been aligned with the priorities of the new administration through the four year Capital Ambition Delivery Programme, which uses a best practice governance approach (Project Quality Assurance (PQA)) to provide effective planning, monitoring and delivery. Governance arrangements have been put in place for the Capital Ambition Delivery Programme, which include regular updates to the Senior Management Team and quarterly updates to a Cabinet Performance and Delivery Group. An annual review of the Programme will be reported into Cabinet and Scrutiny.
67. The senior management structure of the Council has also been reviewed to align with and support the delivery of the Capital Ambition. The Chief Executive (Head of Paid Service) is the most senior member of the Council's staff and has responsibility for overall management supported by a number of Directors and Assistant Director / Chief Officer posts. A revised senior management structure was approved by Council in November 2017, which was developed within the existing senior management budget and informed by Hay Group benchmarking analysis undertaken in July 2017 which compared the management structure of Cardiff Council to other Core City Councils and other large Unitary Councils. The approved changes to the senior management model were as follows.

New Posts	Deleted Posts
<ul style="list-style-type: none"> • Corporate Director, People and Communities • Director Planning, Transport and Environment (previously Director, City Operations) • Chief Digital Officer • Assistant Director, Corporate Landlord • Assistant Director, Street Scene • Head of Democratic Services 	<ul style="list-style-type: none"> • Director of Communities, Housing and Customer Services • Director, City Operations • Assistant Director, Commercial Services • Enterprise Architecture Operational Manager

68. The Council aims to ensure that Members and Officers have the skills, knowledge and capacity to discharge their responsibilities effectively and recognises the importance of well trained,

competent people. New staff and Members attend an induction programme to introduce them to the Council and its values, objectives, policies and procedures. An in-house Cardiff Manager Programme represents a commitment to increasing the learning and development of staff with line management responsibilities. The programme is well embedded, having trained more than 500 staff in key management and finance skills since it commenced in 2014. Approximately 250 managers have completed an ILM level 3 qualification following participating in the programme.

69. A Member Learning and Development Programme aims to provide Members with access to a range of development opportunities to assist them in delivering their roles as Community Leaders and Council representatives. The programme is informed by the WLGA Continuing Professional Development for Councillors Competency Framework, which sets out the range of skills and knowledge required by Members. The 2017/18 induction programme was developed by a Member Development Steering Group as part of a Member Support and Induction Project and approved by the Democratic Services Committee. The programme was developed to include induction sessions in May 2017, a series of essential sessions in the first 12 weeks and further development and information sessions on specific topics until December 2017.
70. Performance is primarily evaluated through the Council's Personal Performance and Development Review (PPDR) process, which provides a framework for employees and managers to discuss work performance and behaviour as well as to identify learning and development needs. It enables employees to be clear about their roles, responsibilities and the behaviours expected of them whilst giving a clear understanding of how their job and efforts contribute to the Council's objectives. Member Personal Development Reviews are also in place to help them update their knowledge and learn new skills, where required, to be more effective in supporting their communities. The Cardiff Council Academy supports the PPDR through the provision of a number of learning and development programmes and courses.
71. The Council's Workforce Strategy has employee health and wellbeing as a priority. The Council continues to support the 'Time to Change' Pledge, and during 2017/18 has been recognised as a Disability Confident Employer, signed the Dying to Work Charter, is working towards being a Dementia Friendly organisation and achieving the Health Standard Silver Award. The Council continues to deliver the Employee Health and Wellbeing Strategy 2016-19 which provides a broad framework to address barriers to wellbeing and identify ways to improve employee wellbeing.
72. The Council has published an Annual Statutory Improvement Report, which provides a retrospective summary evaluation of performance for 2016/17 as required by the Local Government (Wales) Measure 2009. In assessing progress against Improvement Objectives, a number of sources of information were used including reviews of inspection reports, surveys, feedback, case studies and performance measures. A positive performance trend can be reported as 60% of National Indicator results were better than the Wales average, compared to 48% in 2015/16. However, it is recognised that the Council will need to continue to address areas of underperformance through future planning arrangements.
73. The Wales Audit Office published an Annual Improvement Report 2016/17 in September 2017, which is a forward-looking assessment that considers the likelihood of compliance with the Council's duty to make arrangements to secure continuous improvement. The report did not raise any formal recommendations, but it made proposals for improvement, relating to good governance when determining service changes and financial planning arrangements. The report concluded that:

'Based on, and limited to the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2017-18'

F. Managing risks and performance through robust internal control and strong public financial management.

74. Risk management is an integral part of strategic decision making, forming a key element of business planning, budget proposals, budget strategy, programme and project considerations. A Corporate Risk Register (CRR) is maintained and reviewed by SMT each quarter to ensure it includes key risks to the corporate vision, objectives and priorities. A Corporate Risk Map has also been used throughout 2017/18 to provide a transparent representation of the status of corporate risks and to support a proportionate management response.
75. The risk management process is led by the Information Governance and Risk Management Team, and supported by a nominated Member Risk Champion, Senior Officer Risk Champion and a network of Directorate Risk Champions. This process is designed to ensure clear ownership of risks which are identified, reviewed and escalated systematically each financial quarter.
76. Following a strategic risk management review, a draft Risk Management Strategy and Policy has been developed by the risk management network and considered by the Audit Committee in January 2018. A process of consultation and review by the Cabinet has commenced at the financial year-end. It is anticipated that the Risk Management Strategy and Policy will be approved and operational in the first financial quarter of 2018/19.
77. Decisions are made based on reports from officers which include assessments of the legal, HR and financial implications arising from the decision. Service delivery is monitored through risk registers and performance information and reports. The Cardiff's Statutory Improvement Report provides an annual summary of performance against Welsh Government indicators and corporate priorities and commitments. Projects and Programmes are monitored using PQA criteria, including use of milestones, risk and issue registers and lessons learned methodologies.
78. The Council's five standing Scrutiny Committees are designed to support the Cabinet in providing accessible, efficient and effective services for citizens. They meet on a monthly basis to undertake pre-decision scrutiny, policy monitoring and review and launch in-depth inquiries to help the Cabinet develop and review policies and services. The majority of recommendations raised to Cabinet following Scrutiny Inquiries are fully accepted. A number of the Council's collaborative activities are governed by Joint Committee's, examples include the CCR City Deal Joint (Regional) Cabinet, Wales Pension Partnership Joint Governance Committee, Prosiect Gwyrdd Joint Committee, the Shared Regulatory Services Joint Committee and the Glamorgan Archives Joint Committee.
79. The Audit Committee provides assurance to the Council on the effectiveness of its governance, risk management, and internal control arrangements through a wide ranging programme of work. The Audit Committee through its work programme has standard agenda items at each meeting which include; budgetary and financial information, treasury management, risk and governance, internal audit, external audit and operational matters. The Acting Audit Manager reports functionally to the Audit Committee and administratively to the Council's Section 151 Officer.
80. As part of its quality assurance and improvement programme, the Internal Audit Section has to measure conformance with the Public Sector Internal Audit Standards (PSIAS), which came into force in April 2013. The PSIAS is a central measure of the effectiveness of the Internal Audit function against the mandatory elements of the International Professional Practices Framework, against which an external assessment is required at least every five years. An external assessment was completed in quarter 3 2017/18 by Rhondda Cynon Taf CBC, which involved discussions with various officers from Internal Audit and a review of supporting information. The external assessment has reported no significant deviations from the PSIAS, but offered a small number of recommendations to enhance information in the Internal Audit Charter, which have been progressed by the Acting Audit Manager.

81. Members and senior managers are provided with quarterly performance information on a balanced scorecard basis, with performance measured against performance indicators which are aligned to corporate plan priorities. The standard corporate risk scoring approach is used to measure performance and enable consistency of understanding. The financial element of the balanced scorecard quantifies variances between the budget and actual position for each Directorate in respect of the overall budget position, savings delivery and staff costs.
82. The Council has robust arrangements for internal control. The risk management policy, strategy and methodology enables consistency in risk assessments across the Council, supported by a portfolio of policies and procedures to ensure effective stewardship of public monies, address maladministration, corruption and fraud, as summarised under Principal B *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.*
83. Effective arrangements are in place to safeguard personal data. During 2017/18, the Council has been preparing for the General Data Protection Regulation which will come into force next year. An Action Plan setting out the changes in legislation has provided the focus of the work from aligning policies and processes through to raising awareness. The Corporate Director Resources is the Council's Senior Information Risk Owner, supported by a dedicated team who manage the overall Council approach to information management. An Information Governance Strategy contains a suite of information governance policies, procedures and guidance information to support compliance with the Freedom of Information Act / Environmental Information Regulations, Data Protection Act, Privacy and Electronic Communication Regulations and Protection of Freedoms Act.
84. An Information Governance Training Strategy sits alongside the Information Governance Strategy to enable clear understanding of corporate and individual responsibilities. A risk assessment determines the extent of staff training, information and support required to provide the Council and the Information Commissioner's Office with the required assurance. Members are registered with the Information Commissioner's Office as individual Data Controllers.
85. As outlined in the section on *Principle D. 'Determining the interventions necessary to optimise the achievement of the intended outcomes'* significant attention has been given to financial management to support both long term and operational performance, through medium term financial planning and robust financial resilience mechanisms. This is integrated into all levels of planning and control, and is tracked both through performance monitoring of outcomes and through the corporate risk management mechanisms.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

86. The Council aims for all reports for the public and other stakeholders to be written in a fair, balanced and understandable way. This is to achieve a balance between providing full and complete information to demonstrate clear transparency without being onerous or overly complex.
87. The Council also aims for information to be easy for the Council and the public to find and use. It has adopted the Information Commissioner's model publication scheme, which sets out the classes of information that should be routinely available.
88. The Council's Annual Statutory Improvement Report evaluates performance, summarising the findings of a number of reports on performance, including corporate measures and evaluations of delivery against the What Matters, equality, sustainability and scrutiny measures.
89. The AGS is an assessment of the governance of the Council applied to the 'Delivering Good Governance in Local Government' CIPFA / SOLACE framework, as outlined in the *Assessment Process and Summary*.

90. To demonstrate accountability, Senior Management Assurance Statements (SMAS) are completed by each Director twice a year to self-assess performance against a set of governance, risk management and internal control statements. The overall position is reviewed and authorised by the Chief Executive following the financial year end, at which point the overall Senior Management Statement is included within section 4) *Assessment Process and Summary*. Collectively, SMT hold an Action Plan of significant governance issues, representing an open disclosure of the most prominent issues of governance which require attention following the SMAS review. The AGS Action Plan is included in the following section.
91. The SMAS and AGS Action plan of significant governance issues are reviewed biannually by SMT, Audit Committee and the Information Governance and Risk Team. The aim is to achieve openness and transparency in Council affairs and identification, communication and management of matters which require corporate attention.
92. Council meet in May of each year to establish Committees: their size, terms of reference and allocation of seats. The Council's Constitution sets out the terms of reference for each of its Committees and the decisions that can be taken by each of those Committees, and is reviewed regularly by the Constitution Committee. A number of Committees have been appointed by Council to discharge regulatory and scrutiny services and they deliver annual reports on their performance and findings.
93. Prior to services being delivered through third parties or via joint working arrangements, the Legal Services Team assist directorates to ensure responsibilities and accountabilities for governance and risk management are adequately documented. The risk management policy strategy and methodology requires clear risk management arrangements in whichever model of service delivery is used.
94. Performance information is published against statutory NSI and PAM datasets, as set by the Welsh Government. Where these indicators and measures are relevant to the progress made against the Council's Improvement Objectives and Outcome Agreement they are included in Council's Improvement Report. This report includes ranking information to clearly and transparently show performance relative to each other Local Authorities in Wales.
95. The Council has taken steps to ensure that recommendations for corrective action made by external audit are acted upon, such as the development of a statement of action for the Corporate Assessment Follow-on published in February 2016, and targeted governance projects to deliver the required improvements. Opportunities to learn from wider studies from the WAO are taken through the use of a tracker system to identify and summarise a range of their publications for the information and consideration of the Audit Committee.
96. The Council has an effective Internal Audit Service, as supported by performance information and reporting, which has been externally assessed as conforming with the PSIAS in all material respects. The Internal Audit Charter enables direct access to all officers, managers and members and requires functional reporting to the Audit Committee. Governance assessments form an element of the majority of audit engagements and the overall review of governance, risk management and control has informed the annual assurance statement from the Audit Manager. All recommendations are reported to Audit Committee and tracked to provide assurance that they are acted upon.
97. Peer challenges, reviews and inspections from regulatory bodies are welcomed by Cardiff Council as a means to provide assurance over service delivery or identify opportunities for improvement.

iii) AGS Action Plan – Significant Governance Issues

To be completed following the financial year end 2017/18

Certification by the Leader of the Council and the Chief Executive

To be completed following the financial year end 2017/18

Paul Orders, Chief Executive

Date:

Councillor Huw Thomas, Leader of the City of Cardiff Council

Date:

DRAFT

CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD



AUDIT COMMITTEE: 27 March 2018

CORPORATE RISK MANAGEMENT - QUARTER 3 2017/18

REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 6.2

1. To update Audit Committee on the risk management position at quarter 3 2017/18.
2. The Audit Committee's Terms of Reference sets out their responsibility:
 - 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. Audit Committee receives a risk management update each financial quarter with the opportunity to make comments. The last Audit Committee review was on 28 November 2017, at which time the risk management position at quarter 2 for 2017/18 was presented.
4. Each Directorate holds a Directorate Risk Register (DRR), and the Senior Management Team (SMT) collectively own a Corporate Risk Register (CRR). The CRR records the main risks to the delivery of corporate objectives and priorities, whilst the DRRs record the key risks to the delivery of Directorate functions and priorities.
5. A risk escalation process is in place, whereby each Director is required to take ownership of all residual (current) risks rated as 'red/amber' and above on their DRR and, at a minimum, to escalate all 'red' residual risks to SMT for collective ownership and review.
6. SMT determine if any changes are required to the CRR each quarter as a result of this reporting process. The remaining escalated risks continue to be held on DRRs and reviewed by SMT each quarter until it is agreed that mitigation is sufficient for risk ownership to transfer back to the Directorate.

Issues

7. Each Director has worked with their Risk Champion(s) to undertake their quarter 3 risk management review. The Risk Management Team has also provided advice and guidance on the measurement and reporting of risks. The quarter 3 risk assessments are presented on the Corporate Risk Map (Appendix A), the Summary CRR (Appendix B) and the Detailed CRR (Appendix C).
8. The Risk Management Review process has two tiers (Directorate and Corporate) and the actions at each for quarter 3 are detailed as follows.

Directorate Risks

9. At the quarter 3 position, 349 risks were reported from DRRs. All escalated risks and requests for de-escalation were discussed and approved in SMT on 13 March 2018.
10. It was approved that 14 directorate risks would be carried forward as SMT escalated risks at quarter 3.

Directorate	Resources	City Operations	Communities, Housing & Customer Services	Economic Development	Education & Lifelong Learning	Social Services	Governance & Legal Services
Directorate Risks	116	40	59	92	18	16	8
Risks at SMT Escalation Point	4	0	1 (shared)	3 (inc.1 shared)	4	2 (inc.1 shared)	2 (inc.1 shared)

Corporate Risks

11. SMT collectively reviewed each escalated risk, in consideration of the nature of each risk and the potential impact on the organisation and its corporate objectives. From this review the following changes were made to the CRR.
12. **‘Delivering Capital Ambition Programme’** - A new corporate risk was added to the CRR focused on the delivery of the Cabinet’s four year Capital Ambition Delivery Programme, which replaced the Council’s Organisational Development Programme (ODP) from December 2017. The ODP, which has been removed from the CRR, was subject to an independent review in May 2017 which concluded that the change programme had effectively served its purpose and should allow the Council to respond and adapt to the changing operational environment. In line with the recommendations of the independent review, the new programme will focus on a smaller number of transformational programmes.
13. **‘Air quality’** – The residual risk has increased from C1 to B1. Welsh Government have agreed to a Legally Binding Consent Order with Client Earth to initiate measures within very specific and challenging timescales. The requirement to undertake this work now lies with Cardiff Council in the form of a Formal Direction from Welsh Government for full assessment, feasibility and through to potential implementation of specific improvement measures. The risk rating to the Authority has increased due to the aforementioned timescales and the potential implications should the requirements of the direction not be achieved.
14. **‘Coastal Erosion’** - Coastal erosion has been extracted from the Corporate Climate Change and Energy Security risk as a stand-alone risk to reflect the urgency of the coastal erosion flood risk, which is very different to the mid-long term climate change risk. The coastal risk of breach of defences (i.e. risk to life/property/ infrastructure/ services etc) is current, not future, and is unable to be mitigated until works to prevent it are holistically complete (currently 2021 subject to funding for design & construction).
15. **‘Climate Change and Energy Security’** – The residual risk has been reduced from B1 to C1, to reflect the mid-long term nature of this risk, following the decision to report on coastal erosion as a separate short-term stand alone risk.

Reason for recommendation

16. To enable the Audit Committee to monitor risk management activity, and consider the Risk Management Review - Quarter 3 2017.18.

Legal Implications

17. 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

18. 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

19. Audit Committee to note and comment upon the risk management activity and the contents of the Corporate Risk Register, and to consider the information given in the programming of its work.

CHRISTINE SALTER CORPORATE DIRECTOR RESOURCES

The following Appendices are attached:

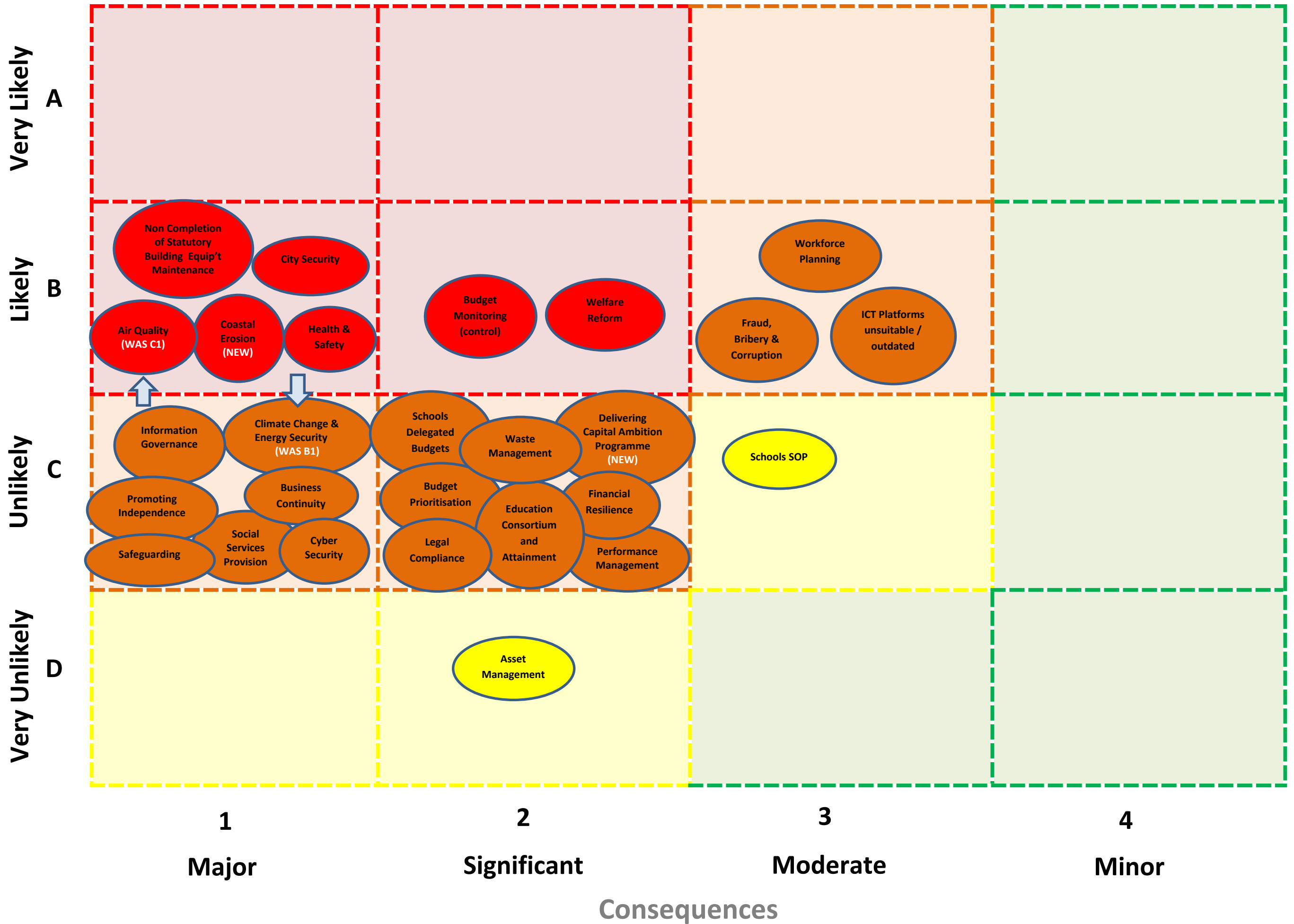
Appendix A - Corporate Risk Map	- Q3 2017/18
Appendix B - Summary Corporate Risk Register	- Q3 2017/18
Appendix C - Detailed Corporate Risk Register	- Q3 2017/18

Mae'r dudalen hon yn wag yn fwriadol

Corporate Risk Register – 2017/18 (Quarter 3 Position)

APPENDIX A

Likelihood
Page 117



Mae'r dudalen hon yn wag yn fwiadol

Risk Description	Inherent Risk	Residual Risk	Risk Owner	Cabinet Member
EVENT DRIVEN RISKS				
<p>City Security</p> <p>Major security-related incident in the city as a result of international or domestic terrorism.</p>	High Priority A1	High Priority B1	Christine Salter (Joseph Reay) Andrew Gregory	Councillor Huw Thomas Leader.
<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, removal of automatic entitlement to housing costs for under 21s and changes to funded for supported housing. Lack of information, short timescales for implementation and the large number of citizens affected makes these changes a significant risk.</p>	High Priority A2	High Priority B2	Sarah McGill (Jane Thomas)	Councillor Lynda Thorne Housing & Communities.
<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>	High Priority A1	Medium Priority (Red/Amber) C1	Christine Salter (Phil Bear)	Councillor Christopher Weaver Finance Modernisation and Performance
<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>	High Priority B1	Medium Priority (Red/Amber) C2	Neil Hanratty	Councillor Michael Michael Clean Streets, Recycling and Environment.
<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>	High Priority B1	Medium Priority (Amber/Green) C3	Nick Batchelar (Janine Nightingale)	Councillor Sarah Merry Deputy Leader & Education, Employment & Skills
<p>Business Continuity</p> <p>Large scale incident/loss affecting the delivery of services.</p> <p>The potential risk is that our most time sensitive activities are not sufficiently resilient and fail, following an incident which impacts on their delivery and that our incident management structure, used in response to internal incidents and external emergencies, also fails in response to an incident.</p>	High Priority B1	Medium Priority (Red/Amber) C1	Christine Salter	Councillor Huw Thomas Leader
ONGOING RISKS				
<p>Non completion of Statutory Building Equipment maintenance</p> <p>Currently statutory obligations testing is not organised in a consistent and centrally managed process across the Council, partly due to a lack of understanding on who is responsible for arranging the testing and any remedial works identified. As a result there is a risk that all required testing/remedial works may not be undertaken and completed correctly. Also, a complete up-to-date accurate register of all statutory obligations testing requirements does not exist. Furthermore, there is no embedded technology in use consistently to manage the statutory obligations work or the storing of relevant statutory obligation documentation</p>	High Priority A1	High Priority B1	Neil Hanratty (Tara King)	Councillor Russell Goodway, Investment & Development
<p>Air Quality</p> <p>Poor air quality is the most significant environmental determinant of health.</p> <p>UK Government has placed the improvement of Air Quality very high on their agenda and it has been made clear that they consider the responsibility for addressing the issue is at the door of Local Authorities.</p>	High Priority A1	High Priority B1	Andrew Gregory (Gary Brown)	Councillor Caro Wild, Strategic Planning & Transport.
<p>Education Consortium & Attainment</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>	High Priority B1	Medium Priority (Red/Amber) C2	Nick Batchelar (Angela Kent)	Councillor Sarah Merry, Deputy Leader & Education, Employment & Skills
<p>ICT Platforms Unsuitable/ Outdated</p> <p>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.</p>	High Priority A2	Medium Priority (Red/Amber) B3	Christine Salter (Phil Bear)	Councillor Christopher Weaver Finance Modernisation and Performance.
<p>Safeguarding</p> <p>Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners.</p>	High Priority B1	Medium Priority (Red/Amber) C1	Tony Young & Davina Fiore	Councillor Susan Elsmore Social Care, Health & Well-being Councillor Graham Hinchey Children & Families. Councillor Christopher Weaver Finance Modernisation and Performance.
<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>	High Priority A1	Medium Priority (Red/Amber) C2	Christine Salter (Ian Allwood)	Councillor Christopher Weaver Finance Modernisation and Performance.
<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>	High Priority A1	Medium Priority (Red/Amber) C2	Christine Salter (Ian Allwood)	Councillor Christopher Weaver Finance Modernisation and Performance.
<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>	High Priority A1	High Priority B2	Christine Salter (Allan Evans)	Councillor Christopher Weaver Finance Modernisation and Performance.
<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>	High Priority A1	High Priority B1	Christine Salter (Donna Jones)	Councillor Christopher Weaver Finance Modernisation and Performance.
<p>Climate Change & Energy Security</p> <p>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</p>	High Priority B1	Medium Priority (Red/Amber) C1	Andrew Gregory	Councillor Michael Michael Clean Streets, Recycling

Risk Description	Inherent Risk	Residual Risk	Risk Owner	Cabinet Member
energy supply.				and Environment.
Coastal Erosion Breach of current defences resulting in widespread flooding.	High Priority B1	High Priority B1	Andrew Gregory	Councillor Michael Michael Clean Streets, Recycling and Environment
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	Medium Priority (Red/Amber) C1	Christine Salter (Vivienne Pearson)	Councillor Christopher Weaver Finance Modernisation and Performance..
Social Services – Provision Failure to provide robust and adequate social services in the context of increasing costs and limited resources.	High Priority B1	Medium Priority (Red/Amber) C1	Tony Young	Councillor Susan Elsmore Social Care, Health & Well-being Councillor Graham Hinchey , Children & Families
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	Councillor Susan Elsmore Social Care, Health & Well-being
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)	Councillor Christopher Weaver Finance Modernisation and Performance.
Delivering Capital Ambition Programme Projects within the Programme fail to deliver the change required to ensure the implementation of the Administration's agenda and to refocus services to meet the challenges faced by the Council and the city's wider public services.	High Priority B1	Medium Priority (Red/Amber) C2	Christine Salter (Dean Thomas)	Councillor Christopher Weaver Finance Modernisation and Performance.
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	Councillor Huw Thomas , Leader.
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)	Councillor Sarah Merry Deputy Leader & Education, Employment & Skills
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)	Councillor Christopher Weaver Finance Modernisation and Performance.
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	Councillor Russell Goodway , Investment & Development
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)	Councillor Christopher Weaver Finance Modernisation and Performance.

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
EVENT DRIVEN RISKS										
<p>City Security</p> <p>Major security-related incident in the city as a result of international or domestic terrorism.</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 numbers 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. Some crowded places have an extremely limited and in some cases 'third party managed' access control process to operate them; providing little/no challenge. 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. As the above shows, the work done in the city to address security concerns has been predominantly focused on the provision of physical assets to mitigate against the threat of hostile vehicles. Although this area remains important, a more holistic approach is needed to develop the city's response to and management of a wider range of potential threats. 	B	1	High Priority	<ul style="list-style-type: none"> The CONTEST Protect/Prepare Group will continue to monitor and review the city's Hostile Vehicle Mitigation 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 identify external funding sources/opportunities from Welsh Government and UK Central Government to conclude scheme and appropriately mitigate the risk. £1m of work to enhance the city's HVM scheme (match-funded by Welsh Government and Cardiff Council) to be completed by Spring 2018. Progress is on track to meet this target. 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. A holistic security strategy for the city is being developed through the city's CONTEST partnership mechanisms. This strategy will extend the perspective of the city's security beyond hostile vehicle mitigation to incorporate a range of security measures, including the continuing development and agglomeration of the city's CCTV and the deployment of new technological solutions Once the strategy has been completed it will provide a suite of costed business cases that will allow the continued incremental development of the city's security provision This in turn will allow partners to be more responsive to emerging funding opportunities 	<p>Christine Salter (Joseph Reay)</p> <p>&</p> <p>Andrew Gregory</p> <p>Councillor Huw Thomas, Leader.</p>
<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, removal of automatic entitlement to housing costs for under 21s and changes to funded for supported housing. 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 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 Advice Hub in Central Library is providing comprehensive advice services for those affected by Welfare Reform and this is being rolled out across the city in Community Hubs and foodbanks . 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. Rent arrears procedure has been reviewed to include a more preventative and flexible approach and more assistance for more vulnerable tenants. 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. Expenditure for 17/18 will focusing on the most vulnerable individuals or helping people with the transition into work. The detailed information about the removal of automatic entitlement for under 21s is now known and procedures and guidance are being reviewed as appropriate Sub group set up to consider the impact of changes on Supported and temporary accommodation. <p>Action Plan for Universal Credit is being reviewed following changes in Autumn budget and confirmation of roll out of Full Service at end of February. Meetings with private landlords to find out how the council can help support them have been held ahead of stakeholder meetings in January. Facilities in Hubs have been reviewed to take a more "digital support" approach to customer service. On line HB form should be in place shortly to support this new approach.</p>	<p>Sarah McGill (Jane Thomas)</p> <p>Councillor Lynda Thorne, Housing & Communities.</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management 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 is regularly reviewed 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 concludes 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. Escalated risks to SMT around secure configuration, monitoring and corporate cloud security controls and support for improvements agreed at the meeting. Risks monitored and escalated via Information Security Board as well as directorate management meetings and Senior Management Team (SMT) As part to improving user education and awareness Information Asset Owners receive compliance reports relating to Bob's Business Data Protection training Privacy Impact Assessments which include Cloud Impact Assessments are in place 	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> ICT and Information Governance (IG) Teams to continue to liaise with FM for physical security assurances and to promote an incident reporting culture. To enhance user education and awareness Information Governance Seminars will be held for each Directorate during March and April 2018. To ensure strong ICT security, monitoring and cloud security controls: <ul style="list-style-type: none"> ICT lifecycle and notification targets are being monitored and managed through the 'ICT Platforms' risk actions. Collaboration between ICT and IG to develop and map current ICT system providers in phased development of an Information Asset Register. Privacy Impact Assessment / Cloud Impact Assessments to be reviewed to ensure compliance with the requirements of the General Data Protection Regulation (GDPR) Action Plan being managed by the Information Governance Team. Governance and management requirements to be formalised for periodic and systematic review of all ICT systems. SIRO to review / consider Cloud Infrastructure to ensure: <ul style="list-style-type: none"> Effective governance and management. Resource, risk appetite and outcomes required. Education of business systems owners in risk and management of cloud based services. 	Christine Salter (Phil Bear) Councillor Christopher Weaver, Finance Modernisation and Performance.
<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 2017/18), 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"> The next Recycling Strategy is being developed and will be presented to Cabinet in March, this will seek to address in year financial pressures regarding glass quality and market costs through separate collections as well as other measures to improve recycling performance in 2018/19 onwards. The changes will be subject to consultation and Welsh Government discussions, regarding the Blueprint and Environment Bill. <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"> implementation & training for the new In-Cab and tachograph system have commenced. <p>Prosiect Gwyrdd</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 our contractor 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 	Neil Hanratty Councillor Michael Michael, Clean Streets, Recycling and Environment.

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					<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, skip hire, mattress and carpet recycling schemes are all underway. • New HWRC delivery model is underway. The new Lamby Way HWRC has been officially launched. • New free reuse and recycling bulky collection services strategy 2016. • The new reuse partner has been announced and launched in December. British Heart Foundation provide a network of shops, free home collection and reuse facilities and outlets across Cardiff. <p>• New markets for mattresses have been tendered and awarded in 2016/17.</p> <ul style="list-style-type: none"> • Contract now in place for new materials at Lamby Way and Bessemer Close HWRCs e.g., carpets, tyres and UPVC widows. • Recycling Waste Management focus on pre-sort high quality recycling and removing the reliance on post sorting of waste. • Tracking market prices weekly and monthly. Impact of the Chinese market of global prices has seen a reduction in UK based prices for the same of recyclables. <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. • The Council has secured an additional £250K of a one off income stream to support the transition of Kelda to Dwr Cymru Welsh Water as the new contracting company for the treatment of food and green waste for both the Vale of Glamorgan Council and Cardiff Council. <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</p> <ul style="list-style-type: none"> • Working and engaging with Welsh Government on legal and policy changes.. 				<p>commercial food collections and schools.</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 the WG blue print. • New domestic and commercial skip hire service is now available. <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. Contract awarded and installation to take place in quarter 1. • Arranged for Glass trial to reduce our current cost per tonne. The glass trial recycling yield was > 70% which represents better value to the authority as currently paying £60 per tonne with a 65% recycling yield. Deliver kerbside collections of separated glass and report to Cabinet in quarter 3. 	

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
<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 construction of the new Eastern High School, in partnership with Cardiff & Vale College is progressing well, 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. Work started on site for Howardian and Ysgol Glan Morfa in June 2017. Ysgol Hamadryad received planning permission in June and work will start on site in October 17. The procurement of the new High School in the West is complete with Willmott Dixon appointed to design & build the school in January 2017. Full planning achieved in August, with contractor to start on site in September. Assets being considered corporately to maximise the opportunity to focus funds realised within the Council and through other sources on fewer high quality buildings. 21st Century Schools Band B funding bid submitted to WG in July and awaiting WG decision. 	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> <p>Councillor Sarah Merry, Deputy Leader & Education, Employment & Skills</p>
<p>Business Continuity</p> <p>Large scale incident/loss affecting the delivery of services.</p> <p>The potential risk is that our most time sensitive activities are not sufficiently resilient and fail, following an incident which impacts on their delivery and that our incident management structure, used in response to internal incidents and external emergencies, also fails in response to an incident.</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 led 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. 39 % 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 10 % 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 8 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. 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 	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. 	<p>Christine Salter</p> <p>Councillor Huw Thomas, Leader.</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					provide them with the support, evidence, and guidance needed to allow them to review this risk. <ul style="list-style-type: none"> 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 29 th of March 2017, this exercise also provided an opportunity for individual Business Continuity plans to be activated.					
ONGOING RISKS										
<p>Non completion of Statutory Building Equipment maintenance</p> <p>Currently statutory obligations testing is not organised in a consistent and centrally managed process across the Council, partly due to a lack of understanding on who is responsible for arranging the testing and any remedial works identified. As a result there is a risk that all required testing/remedial works may not be undertaken and completed correctly.</p> <p>Also, a complete up-to-date accurate register of all statutory obligations testing requirements does not exist.</p> <p>Furthermore, 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>CONTRACTOR</p> <ul style="list-style-type: none"> Competent contractor in place to undertake statutory obligations testing and consequential remedial work; <p>RAMIS IT Software</p> <ul style="list-style-type: none"> RAMIS Statutory Obligation Compliance software system procured and in process of being commissioned. This will replace spreadsheet system currently in place; Staff training has commenced Property Portfolio uploaded to the system, Access for Technical Officers and contractors arranged in Qtr 3. Rollout of the system commenced in Qtr 3 along with Building Managers Training; Recruitment of Officer to Implementation, Management and administration of the system moved to H&S to provide a central governance system for statutory maintenance. <p>Compliance Audits</p> <ul style="list-style-type: none"> School compliance audits completed in Qtr 3 <p>Statutory Obligation Compliance</p> <ul style="list-style-type: none"> Electrical testing and works monitored/supervised by qualified internal staff Electrical certificates received and reviewed by qualified internal staff C1/C2 electrical remedial works identified through testing are attended to appropriately and immediately by contractor undertaking electrical works Spreadsheet database established to record status of statutory obligation compliance across whole Council estate Desk-top audit of compliance completed March 2017 to improve understanding of the current level of statutory compliance. On-site audits have since been implemented with schools buildings scheduled for completion by end of October 2017 with the remainder of the estate due for completion by March 2018; Planned Preventative Maintenance Certificates are held centrally and can be easily accessed via computer (to be transferred to RAMIS); Appropriate statutory obligations testing is being arranged where previously unrecorded requirements are identified through the audits <p>Corporate Landlord Programme</p> <ul style="list-style-type: none"> 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. Implementation of the Corporate Landlord Programme commenced 2017/18. Consultation on the new corporate management structure to deliver a corporate Landlord role and delivery programme started in Q2. <p>HSE</p> <ul style="list-style-type: none"> HSE concerns regarding work undertaken by Allianz (company appointed by Council Insurers) have been addressed. <p>Health & Safety Model</p> <ul style="list-style-type: none"> A new Health & Safety Operational Manager has been appointed with a role to independently 'police' statutory obligations compliance across the building estate. <p>Landlord / Occupancy Agreement</p> <ul style="list-style-type: none"> Work commenced on the draft Landlord/Occupancy Agreement template, expected full roll out in by April 2018. This will set out principle occupant and landlord permissions responsibilities and Permission for Works arrangements required <p>Conditions Survey of Non Domestic Buildings</p> <ul style="list-style-type: none"> This work has commenced with priority school buildings and will continue for the remainder of 2017/18 and into 2018/19. 	B	1	High Priority	<p>Strengthen monitoring and supervision of contractors undertaking statutory obligations testing and works;</p> <p>Complete installation of RAMIS:-</p> <p>Upload of all current statutory certs to be uploaded via. FTP transfer.</p> <p>Continued rollout of the system of in Qtr 4,</p> <p>In respect of schools, the following documentation is to be completed in Qtr 4:</p> <ul style="list-style-type: none"> Updated handbook detailing roles and responsibilities for safe management and maintenance of school premises, plant and equipment has been issued to schools for consultation Occupancy agreement between the Council and Headteacher/Governing Body to detail roles and responsibilities in law for management and maintenance of school premises. The Occupancy Agreement will be accompanied by a permission to undertake work protocol to seek the Council's permission to make changes to building fabric/services etc. This will be in place for Qtr 1. <p>Undertake Statutory Compliance Audits on Corporate Estate to review current compliance position – target completion April 2018.</p> <p>Continue to commission investigations / work to complete required compliance testing (and works required) in respect of 'gaps' in compliance status identified through the audits across the estate.</p> <p>Implement new In house Statutory Obligations Team to manage the undertaking of the statutory obligations surveys/work across the Council.</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 This is being progressed through the proposed Corporate Landlord Programme.</p> <p>Undertake appropriate training to ensure that all Council building Duty Holders have a clear understanding of their statutory obligations compliance responsibilities (by end 17/18)</p> <p>Continue with the conditions surveys of the non-domestic buildings (complete 18/19).</p> <p>Introduce new technology to assist in improving the scheduling, commissioning, monitoring and auditing of statutory obligations work – procurement to be completed in Qtr 4, 17/18.</p> <p>Commission Improved statutory maintenance contracting arrangements to be in place by June 2018, provide approved contractor supplier competency and performance measures, alongside increased contractor management (implementation of the Property Maintenance Structure), supported by RAMIS and the new Asset Management system.</p>	<p>Neil Hanratty (Tara King)</p> <p>Councillor Russell Goodway, Investment & Development</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					Client Liaison Officers <ul style="list-style-type: none"> Client Liaison Officers were appointed in quarter 3 to assist with relationship management of commissioning of asset maintenance and statutory obligations works for schools. 					
<p>Air Quality</p> <p>Poor air quality is the most significant environmental determinant of health.</p> <p>UK Government has placed the improvement of Air Quality very high on their agenda and it has been made clear that they consider the responsibility for addressing the issue is at the door of Local Authorities.</p>	<p>Cardiff does not comply with legal standards of NO2, and the primary source of the pollution is road transport emissions, particularly diesel vehicle emissions.</p> <p>Cardiff currently falls short of the required limits and although improvements are being seen, non-compliance of the legal limits is projected beyond 2020.</p> <p>The UK and devolved Governments have a legal obligations to achieve nitrogen dioxide (NO2) annual average limit value (40ug/m3 AA) as set out in the EU Ambient Air Quality Directive (2008/50/EC) in the shortest possible time, and their continued failure to meet this has been subject to a number of legal challenges.</p>	A	1	High Priority	<p>Monitoring - Cardiff have 4 existing declared 4 Air Quality Management Areas (AQMA's) all as a result of elevated NO2 concentrations resulting from road traffic emissions.</p> <p>Development of a Clean Air Strategy:</p> <p>A multi-sectorial approach is needed to develop and effectively implement long term policies and strategies that reduce risks of air pollution to health and hence the development of a Clean Air Strategy.</p> <p>The strategic measures to address the air quality issues in Cardiff that will be detailed in the Clean Air Strategy can be summarised as follows:</p> <ul style="list-style-type: none"> LDP Policies adhered to (KP18, EN13), Develop and finalise relevant SPG to improve AQA, additional relevant SPGs Transport strategy- reducing congestion, Car clubs, 20mph zones, influencing behavioural change Active Travel Improvements - increase Cycling and Walking, Public Transport Improvements - Buses, Metro, Trains, school travel plans, influencing behavioural change Increase EV infrastructure, alt fuels (H2), fleet changes (CCC to lead), industry change, influence behavioural change. Non idling zones, parking permit reform, taxi policy review. Full investigation and feasibility study of potential mitigation measures including the implementation and management of a Clean Air Zone (funding dependant) Working Group in place and meeting regularly. Meetings have taken place with WG and DEFRA and will assist with development of strategy. Funding to undertake a full feasibility study into the potential mitigation measures, including a Clean Air Zone, is being pursued with WG. Effective communications strategy, focus on promoting and marketing the wider health and environmental benefits of tackling air quality - inclusive of green paper development An officers working group has made progress on developing the Clean Air Strategy and work is focusing on finalising strategic measures that the Council needs to implement to improve air quality in Cardiff. The strategy will set out specific action plans to implement these measures and will develop a set of performance measurements to demonstrate the effectiveness of the strategy. An additional Working Group which now includes members of the Cabinet and Senior Management has been established to help develop and steer the Strategy. Following full feasibility study (funding dependant) a decision will be made and a full business case produced for the introduction of mitigation actions to improve air quality in the shortest possible time. 	B	1	High Priority	<p>During January 2018 Welsh Government agreed a Legally Binding Consent Order with Client Earth and although this doesn't entirely remove the judicial influence, essentially WG have agreed to implement measures within very specific timescales.</p> <p>A meeting took place between the WG Minister the Leader, Cabinet Member and Senior Officers from both parties on 1st Feb 2018. It was confirmed that WG will be issuing a Direction on Cardiff Council to provide:</p> <p>An initial proposal setting out the case for change by 31 March. This will involve identifying governance and associated resource requirements, the scope of work, procurement approach, indicative costing's and timeline.</p> <p>An initial plan identifying, exploring, analysing and developing options for measures which your local authority will need to implement to deliver compliance in the shortest possible time, with indicative costs for those options by 30 September 2018 .</p> <p>The Final Plan will need to identify in detail the preferred option for delivering compliance in the shortest possible time, including a full business case setting out value for money considerations and implementation arrangements and timings. The deadline for this is intended to be as soon as possible and by 30 June 2019 at the latest.</p> <p>Funding mechanisms were discussed, along with the requirements for frameworks, procurement arrangements and specifications. Assurance was provided that this would be forthcoming with the Direction which is expected mid to late February.</p>	<p>Andrew Gregory</p> <p>(Gary Brown)</p> <p>Councillor Caro Wild, Strategic Planning & Transport.</p>
<p>Education Consortium & Attainment</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>A Secondary Senior Challenge Adviser with well-developed knowledge and skills to build on the progress made to date has been appointed on an interim basis. There is a new Primary Senior Challenge Adviser in post.</p> <p>The Schools Causing Concern processes have been revised in partnership with the Consortium and the Local Authority. The systems and processes to secure improved joint service delivery is now in place, with regular meetings calendared with the Assistant Director and the Senior Challenge Advisers, Primary and Secondary.</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. 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>	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. A comprehensive review of the Local Authority annex is underway to ensure it is closely related with the priorities contained within the Education Directorate Delivery Plan 2017-2018. Local Authority officers and members of the Consortium have already identified the need to commission more comprehensive support for Governors and support for Federations. 	<p>Nick Batchelar</p> <p>(Angela Kent)</p> <p>Councillor Sarah Merry, Deputy Leader & Education, Employment & Skills</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					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>ICT Platforms Unsuitable/Outdated</p> <p>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.</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 services. Potential for income losses from revenue collection impacts. Unable to meet delivery deadlines on both business as usual and transformation projects. 	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 firewalls, core servers/switches and external bandwidth. 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. Migrated users from CAG to ASA. Project plan to move over users complete. 	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 Breakdown of costs to remediate to be generated and reviewed. To include workstation replacement costs, supporting network infrastructure and server infrastructure. 	<p>Christine Salter (Phil Bear)</p> <p>Councillor Christopher Weaver, Finance Modernisation and Performance.</p>
<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 child/ren 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. <p>Potential litigation with associated financial penalties.</p>	B	1	High Priority	<ul style="list-style-type: none"> Embedding the Social Services & Wellbeing (Wales) Act 2014 in relation to the strengthening of adult safeguarding. Strategic review of safeguarding governance across the region completed 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 included in 2017/18 budget Cardiff Council hosting the All Wales Adult and Child Protection Procedure re-write. Raising profile of Adult Sexual Exploitation (ASE) in Adult Services in line with the Child Sexual Exploitation (CSE) Strategy. 	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Training staff in relation to Adult Protection Orders. Draft Annual Plan for Regional Adults / Childrens Safeguarding Board. 	<p>Tony Young & Davina Fiore</p> <p>Councillor Susan Elsmore, Social Care, Health & Well-being</p> <p>Councillor Graham Hinchey, Children & Families.</p> <p>Councillor Christopher Weaver, Finance Modernisation and Performance.</p>
<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. 	A	1	High Priority	<p>2018/19 and Medium Term</p> <ul style="list-style-type: none"> 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 has been used for 2017/18 and will be a key part of the assurance for 2018/19 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. Robust monitoring are and will take place during 2017/18 in order to inform the 2018/19 budget position. The MTFP set out in the July 2017 Budget Strategy Report shows an estimated Budget Reduction Requirement of £73.512m for the medium term 	C	2	Medium Priority (Red/Amber)	<p>2018/19 and Medium Term</p> <ul style="list-style-type: none"> The 2018/19 Finsl Settlement was received in December 2017. Budget on track to be approved at Council February 2018 Continue the work that ensures alignment with the demands of the Wellbeing of Future Generations Act with the 2018/19 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>Christine Salter (Ian Allwood)</p> <p>Councillor Christopher Weaver, Finance Modernisation and Performance.</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
	<ul style="list-style-type: none"> 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 the medium term become harder to achieve and their impact on service delivery more difficult to manage. 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>(2018/19-2020/21).</p> <ul style="list-style-type: none"> Close working with Policy team in respect of alignment with Corporate Plan and duties under Wellbeing of Future Generations Act. 				<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 Continue to refresh assumptions at key stages as relevant information becomes available.. 	
<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 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. Subsequent report received stated that the Council has a transparent and effective savings approach which supports financial resilience being achieved. Further Improvement actions associated with the medium risk for financial planning related to 1) Fully developing savings proposals prior to start of year, with realistic timescales set and 2) Continuing to improve and further develop links between the MTFP and Organisational Development Programme. A financial snapshot is used to report the financial resilience of the Council and is reviewed 3 times a year and reported at Budget Report (Feb17 & Feb 18), 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. 	<p>Christine Salter (Ian Allwood)</p> <p>Councillor Christopher Weaver, Finance Modernisation and Performance.</p>
<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. 	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 £3 million General Contingency was allocated in the Budget. Availability of General Reserve should this be required. The final 2016/17 outturn showed a balanced position. However this included an overspend of £7.63m in relation to directorate budgets with shortfalls of £6.475m against 2016/17 savings targets and £1.881m against shortfalls carried forward from 2015/16. The Corporate Director of Resources, Chief Executive and Cabinet Members have continued to hold challenge meetings going forward into 2017/18 in all areas both to address shortfalls against budget proposals accepted but also the overall financial position of each directorate. 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. 	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 monitoring process progresses. 	<p>Christine Salter (Allan Evans)</p> <p>Councillor Christopher Weaver, Finance Modernisation and Performance.</p>
<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"> Appointment to OM1 post for Head of Health and Safety, started 4/9/17. Restructure of the Health and Safety Team required, to increase resources and skill set. Health and Safety support for schools is limited, Concerns regarding statutory compliance on the range of statutory issues including the following high risk issues:- <ul style="list-style-type: none"> Asbestos Control Fire Safety Electrical Safety Gas Safety Legionella Control Responsibility for Implementation of RAMIS transferred to H&S in September 2017. RAMIS4Schools has been made available to all schools and holds all up to date H&S information specific to Education/schools. 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. 	B	1	High Priority	<ul style="list-style-type: none"> Restructure of the Health and Safety Team, is a key priority, HR process completed, five posts out to advert w/c 29-1-18. Health and Safety Support Service for Schools to be urgently established, currently under consultation with unions. Service to be funded by re-allocation of existing Education budgets. Implementation of RAMIS Statutory Maintenance system in schools will be held up until H&S school support officers are in place, due to the resource required to implement the system in schools. Education Compliance work being merged into Health and Safety to ensure a co-ordinated approach to all compliance issues in schools. Audits of Statutory compliance undertaken across all schools to determine current position, information used to update RAMIS, an overview of results to be provided to each school. RAMIS Live which manages Statutory Maintenance has been rolled out to Technical Officers, currently information is being uploaded to provide an accurate position on statutory maintenance across the top five disciplines, to be reported to SMT bi-monthly. One of the four new H&S Posts will be 	<p>Christine Salter (Donna Jones)</p> <p>Councillor Christopher Weaver, Finance Modernisation and Performance.</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					<ul style="list-style-type: none"> Policy and Codes of Guidance reviewed, further work required in this area going forward to ensure that all policies are up to date and reflect current practice within the Council. 				<p>responsible for administrating the system and supporting role out to all building managers.</p> <ul style="list-style-type: none"> Although they have received training, existing statutory maintenance contractors are reluctant to take on uploading to RAMIS, however this is written into the new statutory maintenance tenders which are due to be issued in February 2018. In the mean time Health and Safety will work with Property to ensure test certificates are uploaded to the system to maintain accurate records of compliance. Fire Risk Assessments being undertaken via. RAMIS on schools buildings. Building Control Officers are being trained to support with risk assessment of Corporate Buildings using RAMIS to upload the assessment findings and remedial tasks. One full time Fire Safety Officer has been recruited via. Citrix to support Fire Risk Assessments in schools, which are a high priority in response to WG questions. Expertise required internally on asbestos to reduce the reliance on external specialist contractors, improving quality and reducing costs. This will also permit improved asbestos management across the Council, including incident investigation, advice on asbestos removal works, as well as developing in-house staff competency to deal with low level asbestos works. Legionella Review being undertaken across all premises to determine contract required for water quality monitoring for the next three years. <p>Electrical Safety Policy introduced, briefing sessions delivered to technical divisions. H&S currently in consultation with the HSE with regards to a number of electrical safety queries. HSE plan to inspect Highways 'lighting maintenance' in March 2018, date to be confirmed.</p>	
<p>Climate Change & Energy Security</p> <p>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.</p>	<p>Reputational / Financial / Stakeholder / Service delivery / Legal / Partnership / Community / Health & Safety</p> <p>Climate change will result in more intense and frequent rainfall events causing flooding, impacting:</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 cost of insurance; Break up of community and social cohesion; Blight of land and development. <p>SHORT TERM RISKS</p> <p>Climate change is noted to already be affecting the frequency and intensity of rainfall events, making storm events flashier and increasing the rainfall volume. Our existing drainage network has not been designed to accommodate this increase in rainfall and in the short term, there will be an increase in flood events from urban drainage systems.</p> <p>LONG TERM RISKS</p> <p>The influence of climate change will increase in the future and continue to have a growing influence on rainfall intensity and frequency. The urban drainage network in Cardiff will increasingly underperform and not be able to accommodate the increase in surface water runoff response time and volume from storm events. Storms will become flashier and carry higher rainfall.</p> <p>Poor management of new development will exacerbate the potential flood risk by not reflecting natural drainage catchments and by not dealing with rainfall at source.</p> <p>Fluvial Flooding</p> <p>There are 3 main rivers impacting the City - whilst main rivers are the responsibility of Natural Resource Wales, and as a Local Flood Authority we are not responsible for them, the affects of climate change will result in more flooding i.e. the same short term and long term risks will apply in relation to fluvial</p>	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. 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 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 further developed our capability to communicate with the public with the development of the EVAC Cardiff App which is now available for both android and apple systems. Alongside the App we are developing a stand-alone website to offer further advice and information to back up the information available via the App.</p> <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> <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 	C	1	Medium Priority (Red/Amber)	<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>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 renewal heating systems to new build and retrofit schemes. 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>Flood Management Planning</p> <p>Implement Planning SPG for Management of Surface Water in Development to ensure the use of sustainable drainage systems and that developments consider surface water flooding. Atkins have been commissioned to complete the document for officer review.</p> <p>Sustainable Development Unit</p> <ul style="list-style-type: none"> Climate Change is referenced in the Well-Being Assessment and an action included in the draft Well-Being Plan. Work to be undertaken with both the Covenant of Mayors and the Compact of Mayors (merging to become the Global Covenant of Mayors for Climate Change) to agree a consistent method of emissions reporting and action 	<p>Andrew Gregory</p> <p>Councillor Michael Michael, Clean Streets, Recycling and Environment.</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
	<p>flooding.</p> <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 				<p>being implemented with projects categorised across all strands.</p> <ul style="list-style-type: none"> 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>Flood management</u></p> <p>"Local Flood Risk Management Strategy</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>Project Management techniques and partnership working are being used to effectively manage the process of preparing the LDP Annual Monitoring Report (AMR) and a programme of Supplementary Planning Guidance (SPG). In addition a process has been identified and tested to collect data relating to the flood risk indicators. TAN15 of Planning Policy Wales requires the consideration of climate change by increasing the rainfall depth. This allows new development to take future impacts of climate change into account in the design process.</p> <p><u>Retrofit of SuDS</u></p> <p>Retrofit of Sustainable Drainage to remove surface water from piped systems and control surface water at source through schemes such as Greener Grangetown. Consideration needs to be given to potential locations where sustainable drainage retrofit can be considered and to communicate with Dwr Cymru Welsh Water to obtain support for such schemes to prevent the overloading of hydraulic systems. been identified and tested to collect data relating to the flood risk indicators.</p> <p><u>Sustainable Development Unit</u></p> <p>The Council has signed up to both the Compact of Mayors and the Covenant of Mayors. Reporting year 2 data submitted for the Compact of Mayors Carbon Disclosure Project and a Monitoring Emissions Inventory for the Covenant of Mayors Sustainable Energy Action Plan.</p>				<p>planning so as to not duplicate efforts and get maximum benefit from the commitments.</p>	
<p>Coastal Erosion</p> <p>Breach of current defences resulting in widespread flooding.</p>	<p>Health & Safety/ Service Delivery / Reputation / Legal / Financial /Community & Environment /</p> <p>The coastal defences across Cardiff's foreshore are in very poor condition and erosion is already taking place at a rapid rate. The area concerned is the Rover Way foreshore to Lamby Way and the risks to the authority are:</p> <ul style="list-style-type: none"> Continued coastal erosion along the coast threatening the Rover Way Traveller site and critical infrastructure including Rover Way and the Rover Way/Lamby Way roundabout; 	B	1	High Priority	<ul style="list-style-type: none"> There are no current controls in place to mitigate the flooding and coastal erosion risk. The current adhoc defences along the area are in a very poor condition. The necessary works are holistic and cannot be phased, therefore the residual risk rate cannot be lowered until the completed construction of the coastal defence scheme in its entirety. 	B	1	High Priority	<ul style="list-style-type: none"> An Outline Business Case (OBC) has been submitted to Welsh Government for review as part of the WG Coastal Risk Management Programme that provides a funding mechanism for 75% of onward capital costs. A 25% capital matchfunding bid for 18/19 has been submitted. A Cabinet Office Forward Plan is to be submitted for March 2018 Cabinet Meeting for funding approval. <p>The total costs associated with the design, Early Contractor Engagement and construction phases have been estimated at £10.9M (WG 75% funding = £8.2M and CCC 25% funding = £2.7M)</p>	<p>Andrew Gregory</p> <p>Councillor Michael, Clean Streets, Recycling and Environment</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
	<ul style="list-style-type: none"> Erosion to two decommissioned land fill sites, with risk of releasing landfill material into the Severn Estuary and having significant environmental impacts; Flood risk to 1,116 residential and 72 non-residential properties over 100 years, including risk to life, property, infrastructure and services. <p>N.B. the predicted rates of erosion threaten the Rover Way Travellers Site and the adjacent electrical substation <u>within 5 years</u>, and further release of large volumes of unknown tip material from the Frag Tip into the Seven Estuary.</p>								<p>Subject to securing this funding, current project timeframes run between 2018 and 2021, with proposed actions as follows:</p> <ul style="list-style-type: none"> Tender process for detailed design to determine the exact scheme Tender process for construction of works Construction of coastal defences 	
<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 and annually updated. Processes for Information Requests, Data Loss in place. The Information Governance Training Strategy in place and training provided to staff with access to electronic personal data Information Requests and Training compliance monitoring reports provided and reported to Information Security Board, SIRO. ICO Consensual Audit determined that the Council is considered to have a 'reasonable level of assurance' in place Standard Contracts include a clause regarding 3rd Parties processing personal data and obligations in respect of Freedom of Information Processes established through procurement and ICT acquisition processes for ensuring Privacy Impact Assessments are completed if personal data is being processed, including Data Processing Agreement with third party contractors Privacy Impact Assessment Board established to ensure that the Council, when changing systems and processes where personal data is involved, considers relevant legislation. Advice provided to the National Adoption Service, and Service Level Agreements in place for service provisions to Rent Smart Wales and Cardiff Capital Region City Deal 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 and Shared Regulatory 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' and programmes of digitisation support provided to services where contracted. Corporate Retention schedule in place and updated annually in line with any legislative changes Information Governance Maturity Model established to monitor risks against areas of information governance to feed into corporate risk status The Digitalisation of Paper Records Strategy and associated business process changes is in place A Corporate external storage contract is in place to improve processes and financial spend on storage of paper records externally The Council's Data Processing Agreement template has been updated to ensure that this remains compliant with the requirements of the Data Protection Act GDPR Implementation Plan is in place and a GDPR Implementation Group has oversight of progress and will escalate issues to the Operational Manager Information Governance and Risk Management and the Council's SIRO. 	C	1	Medium Priority (Red/Amber)	<p>1) Completion of the GDPR Implementation Plan (6 months)</p> <p>2) Improve the IG Training compliance to meet the target of 100% (3 months)</p>	<p>Christine Salter</p> <p>(Vivienne Pearson)</p> <p>Councillor Christopher Weaver, Finance Modernisation and Performance.</p>
<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. 	B	1	High Priority	<p>Strategic service improvement governance arrangements including:</p> <ul style="list-style-type: none"> 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. Disability Futures Programme in place to transform futures for disabled children. Community Resource Team moved to 7 day working. 	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Implementation of strategic review facilitated by the Institute of Public Care with a view to agreeing a 5-10 year Financial Strategy for adult social care. Inter-agency, city wide preventative strategy for children under development to include: <ul style="list-style-type: none"> Further enhancement of the Early Help Strategy. Pilot locality initiative with third sector partners. Extension of Signs of Safety. 	<p>Tony Young</p> <p>Councillor Susan Elsmore, Social Care, Health & Well-being</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
	<ul style="list-style-type: none"> 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). 				<ul style="list-style-type: none"> Director has commissioned the Institute of Public Care (IPC) to facilitate strategic development as follows: <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. Development of a Reablement Strategy. Comprehensive Integrated Care Fund (ICF) funded interventions designed to strengthen domiciliary care capacity in place. Workforce augmented as a consequence of funded pressures and additional posts. Financial 5-10 year analysis of growth and pressures completed. 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. Asset Based Approaches in Adult Services. Enhanced First Point of Contact with Communities & Housing Directorate. 				<ul style="list-style-type: none"> Linking to realignment of Families First programme. 	<p>Councillor Graham Hinchey, Children & Families.</p>
<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 homes and reduces the need for / length of hospital stays.</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 reputational and political risk. 	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 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. 	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Wales Audit Office (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; Winter Pressures Planning commenced. Market management impacting effectively and containing 'price'. Strategic review of reablement with Institute of Public care (IPC). Strategic review of Matrix (Adam) and Proactis commissioning platform under way with a view to considering new arrangements. 	<p>Tony Young</p> <p>Councillor Susan Elsmore, Social Care, Health & Well-being</p>
<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 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. Increasing the transparency with which we manage our performance The Self-Assessment process has been established 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 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 A reporting framework has been developed that allows the right audiences to focus on the right level of detail to better aid decision-making. Some elements of this were used in the Q4 2016-17 performance reporting cycle and will be fully implemented for the reporting of performance for Q1 2017-18 to ensure robust reporting arrangements for the WBFG Act 	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> Ongoing work continues to launch and embed the PMF, work has been undertaken with Comms to align the PMF with the Capital Ambition Branding Additional content is being developed and training materials and corporate induction content is being developed with the Cardiff Academy. Completion of this work is anticipated in Quarter 4 2017/18 and Quarter 1 2018/19 	<p>Christine Salter</p> <p>(Joe Reay)</p> <p>Councillor Christopher Weaver, Finance Modernisation and Performance.</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					<ul style="list-style-type: none"> A Directorate Delivery Plan template was developed, that incorporates the Future Generations requirements and the 5 ways of working. All directorates have developed these plans Discussions have commenced with key representatives to further develop the self-assessment process which will contribute to the development of the Corporate Plan. Service Level scorecards have been developed across the Council and combine planning and reporting elements. These Scorecards are used, where appropriate, to provide additional detail to supplement the reporting against the Strategic Directorate Priorities and the Corporate Plan Wellbeing Objectives Directorate Delivery Plans were developed and in use from April 2017. 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 Building on the work carried out in 2016-17 a new quarterly reporting template has been developed in collaboration with key stakeholders. A Members training session regarding the Performance Management Framework was developed and carried out at the end of the September The Performance Management Framework and Strategy has been finalised. A soft launch has taken place via the Corporate Performance Team's Public SharePoint Page and will be officially launched in Quarter 3 The Framework will ensure greater effectiveness of planning and reporting, with clearer accountabilities and enhanced 'line of sight'. A cascading matrix system of reporting has been developed through DDPs, Service Plan Scorecard and the reporting framework to demonstrate the golden thread. The high level Performance Management Framework documents are available on the Performance Team's Public SharePoint page The Self-assessment process from 2016-17 has been built on and is being rolled out in September 2017. The outputs from this will be used to develop the Corporate Plan and the Directorate Delivery Plans. 					
<p><u>Delivering Capital Ambition Programme</u></p> <p>Projects within the Programme fail to deliver the change required to ensure the implementation of the Administration's agenda and to refocus services to meet the challenges faced by the Council and the city's wider public services.</p>	<ul style="list-style-type: none"> Failure to deliver the Administration's Capital Ambition statement. Failure to respond to the key financial and organisational challenges that dominate the medium term planning horizon of the Council. Vital services will not be protected if we fail to find more efficient ways of working. Reputational impact if services do not meet increasing customer expectations. Public services are not delivered efficiently or effectively and fail to deliver joined up services to the public. Lack of a programme management approach to the delivery of these significant projects will result in lack of governance and failure to report project progress to relevant stakeholders in a timely manner. 	B	1	High Priority	<ul style="list-style-type: none"> Governance arrangements established and led by the Chief Executive. The Modernisation component of the Capital Ambition Delivery Programme is led by the Corporate Director Resources; and the Resilient Services component is led by the Corporate Director People and Communities. Disciplined approach, where risk assessment forms an integral part of the approach to change. Programmes and projects initiated with dedicated resources. Experienced gained by managing programmes and projects over a number of years, building on lessons learned. An extensive training programme for the Capital Ambition Delivery Team has been rolled out during 2017/18 to ensure both project management and business analyst's skills and knowledge are enhanced. 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. Continued implementation of Programme & Project Management Database to enhance management information and reporting. Investment Review Board review/approve Business Cases and prioritise resources. SMT acts as the Sponsoring Group and receives regular updates on programme and project progress. All Programme Briefs are submitted to SMT for discussion prior to them being signed off at the relevant programme board. Cabinet report dated 14th December 2017, approved the Delivering Capital Ambition Programme. The Cabinet Performance and Delivery Group has been established and will receive Programme updates on a quarterly basis. The Capital Ambition Delivery Programme (CADP) supersedes and replaces the Organisational Development Programme that had been in place since May 2014. 	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> All programme briefs for the CADP will go into SMT for review. Once this has been done they will then go to the relevant programme board for discussion and sign-off. The Senior Responsible Owners will identify project managers/Business change managers for each of the programmes. These will then be responsible for developing project briefs during Q4 of 17/18 and Q1 of 18/19. All projects within the CADP will be captured on the Council's PPPM database. The current Organisational Development Programme will be closed down with programme closure reports being developed by the end of quarter 4/early part of Q1 18/19. A criteria for how projects will be accepted into the CADP will be developed with SMT. Governance arrangements will be reviewed to ensure the projects within the CADP are managed effectively. The Organisational Development Team will be renamed the Capital Ambition Delivery Team, to reflect the new delivery programme for the Council. A new Programme Manager's post (that replaces the previous post that has been vacant since May 2017) will be advertised in Q4. 	<p>Christine Salter (Dean Thomas)</p> <p>Councillor Christopher Weaver, Finance Modernisation and Performance.</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
<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 • Impact on capacity to deal with proactive legal work 	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. 	<p>Davina Fiore</p> <p>Councillor Huw Thomas, Leader.</p>
<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. • Intervention from WG 	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 took 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 an audit of budget impact on individual schools was undertaken during the Summer Term 2017. Unfortunately the response rate was not sufficient enough to identify any further specific impacts or trends arising from the schools budget settlement. The audit will be undertaken again for the 2018/19 settlement. • 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. 	<p>Nick Batchelar</p> <p>(Neil Hardee)</p> <p>Councillor Sarah Merry, Deputy Leader & Education, Employment & Skills</p>
<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 	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 	<p>Christine Salter</p> <p>(Ian Allwood)</p> <p>Councillor Christopher</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					<p>prevent deter and detect fraud against the Council.</p> <ul style="list-style-type: none"> 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. Undertake a skills assessment of the investigation team and invest in training as appropriate. Delivery of Cardiff Manager Progrmmer 				<p>Hearing Chairs.</p> <ul style="list-style-type: none"> 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. 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 2018/19. Measure the effectiveness of fighting fraud and corruption against the CIPFA strategy by the end of Q4 2017/18. 	Weaver, Finance Modernisation and Performance.
<p>Asset Management</p> <p>Ensure effective operation of the Council's Asset Management Board 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. 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 	D	2	Medium Priority (Amber/ Green)	<ul style="list-style-type: none"> Asset Management Software System - selection criteria ongoing. Recommendations to be taken back to Investment Review Board in Q4. Investment Strategy action plan reviewed and assets RAG rated. Progressing priority actions resulting in an improved capital and revenue position. Developing further strategies for remainder to improve the performance of the estate for 2018/19. The Asset Management Plan (AMP) for 2018/19 will be considered by Cabinet in quarter 4. 	Neil Hanratty Councillor Russell Goodway, Investment & Development.

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					<p>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> <ul style="list-style-type: none"> Investment Review Board approved a business case to procure a software system to hold appropriate asset management information. Investment Estate Manager recruited. 					
<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 and programme developed to encompass a number of projects relating 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 Workforce planning dashboard data provided to each Directorate to inform Directorate Delivery Planning discussions and development. 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 roll out an Essential Skills diagnostic tool to frontline employees through Commercial Services A programme of NVQ study is being 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. Work has been carried out with WLGA and WAO to look at a Wales wide workforce planning process for use within Local Authorities. Project brief for Workforce Planning provides full details of milestones and implementation dates. A review of the courses provided by the Cardiff Academy has taken 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. Workforce planning tool kit has been rolled out to pilot areas and workshops taking place between May and September 2017 	B	3	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> The Council is reviewing 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 Full rollout of Workforce planning toolkit to take place in 2018/19 An IT solution to be sourced during 2018/19 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 	<p>Christine Salter (Philip Lenz)</p> <p>Councillor Christopher Weaver, Finance Modernisation and Performance</p>



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2018 Audit Plan – The County Council of the City and County of Cardiff

Audit year: 2018

Date issued: March 2018

Document reference: 472A2018-19

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

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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.

Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

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.

This document is also available in Welsh.

This document was produced by Sara-Jane Byrne, Jon Martin, Kathryn Watts and Phil Pugh under the direction of Ann-Marie Harkin and Huw Rees.

Contents

2018 Audit Plan

Summary	4
Audit of accounts	4
Performance audit	9
Certification of grant claims and returns	13
Fee, audit team and timetable	14
Future developments to my audit work	17

Appendices

Appendix 1 – respective responsibilities	19
Appendix 2 – performance work in last year’s audit outline still in progress	22
Appendix 3 – summary of grant claim certification work	23
Appendix 4 – other future developments	25
Appendix 5 – national value-for-money studies	28

2018 Audit Plan

Summary

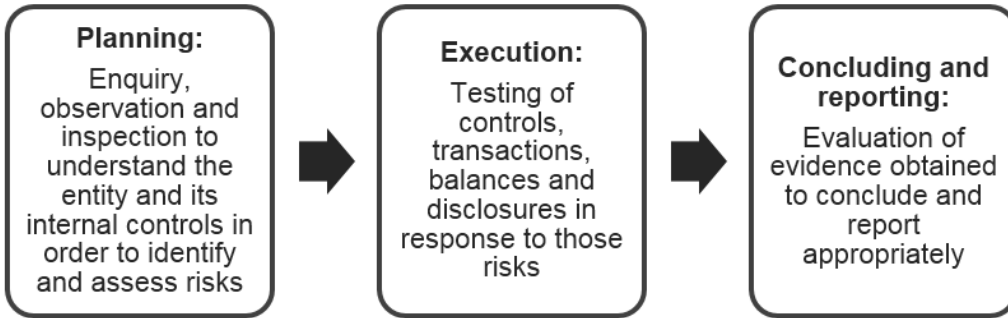
- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), Wellbeing of Future Generations (Wales) Act 2015, the 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 the 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'. 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.
- 6 I also consider whether or not The County Council of the City and County of Cardiff (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

My audit approach involves three key stages: planning, execution and finally concluding and reporting



- 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

This table summarises the key financial audit risks identified at the planning stage of the audit

Financial audit risk	Proposed audit response
<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 also increased where judgement or estimation is required.</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 rationale for any significant transactions outside the normal course of business or those susceptible to management judgement.

Financial audit risk	Proposed audit response
<p>Financial Statement Production</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 Practice 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.</p> <p>We have been liaising with management as they implement methods to streamline the financial 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"> • investment property classification and valuation; and • asset identification and descriptors within the Fixed Asset Register of newly acquired assets. 	<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; • undertake audit procedures designed to ensure sensitive disclosures and presentation of data is in accordance with the Code; and • as part of our interim audit review the exercise undertaken by the Council in respect of the classification and valuation of investment properties .

Financial audit risk	Proposed audit response
<p>City Deal</p> <p>The City and County of Cardiff Council is one of 10 local authorities involved in the Cardiff Capital Region City Deal (the City Deal). City Deals are arrangements negotiated with government that give greater accountability for actions in return for new powers to help encourage growth and jobs.</p> <p>The Cardiff Capital Region City Deal was ratified by all participating authorities on 1 March 2017 and includes funding of over £1.2 billion from the UK Government, the Welsh Government and the ten local authorities. The City and County of Cardiff Council will act as Accountable Body for the City Deal.</p> <p>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. During 2017-18, the Regional Cabinet has approved its first project, £37.9 million for CSC Foundry Ltd.</p> <p>As Accountable Body for the City Deal, we understand that the City and County of Cardiff Council will be responsible for preparing the Accounts of the Joint Committee which will be submitted separately to the Regional Cabinet for scrutiny and approval. However, this significant programme will have financial, governance and delivery risks that need to be managed by the Council. There will also be a number of accounting issues to address including the potential consolidation of joint committee accounts within the Council's financial statements.</p>	<p>We will liaise closely with external auditors of the other 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.</p> <p>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.

Statutory audit functions

- 14 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
 - Section 31 Right to make objections at audit.
- 15 Audit fees will be chargeable for work undertaken in dealing with electors' questions and objections. Because audit work will depend upon the number and nature of any questions and objections, it is not possible to estimate an audit fee for this work.
- 16 If I do receive questions or objections, I will discuss potential audit fees at the time.

Other financial audit work

- 17 I am also responsible for the audit of:
- Cardiff Harbour Authority;
 - Cardiff Port Health Authority;
 - Glamorgan Archives Joint Committee; and
 - Prosiect Gwyrdd Joint Committee.
- 18 My audit fee for this work is set out in **Exhibit 6**.
- 19 In addition, and as noted in **Exhibit 2** above, I also audit the Cardiff Capital Region City Deal Joint Committee. A separate Outline of Audit Work will be produced for the accounts of this joint committee and will be presented to the Regional Cabinet in the near future.

Performance audit

- 20 I need to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments. In discharging my responsibilities I will continue to seek to strike the most appropriate balance and add 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.
- 21 As it is likely that the anticipated Local Government Wales Bill will propose that the Local Government (Wales) Measure 2009 no longer applies to councils, I will minimise work that focuses on the process of improvement planning.
- 22 In recent years I have placed reliance on my work under the Measure to help discharge my duty under the Public Audit (Wales) Act 2004 to satisfy myself that councils have made proper arrangements to secure economy, efficiency and effectiveness (value for money) in the use of resources. Given that in the future I will be unable to rely on my work under the Measure, in 2018-19, and subsequent years, the focus of my local performance audit programmes will be more clearly aligned to discharging my Public Audit (Wales) Act 2004 duty.
- 23 In 2017-18 I undertook my first work under the Wellbeing of Future Generations (Wales) Act 2015, the Year One Commentary. This work sought to identify how public bodies are beginning to respond to the Act and share emerging practice. My 2018-19 programme will include the first examinations to be carried out under the Act. These examinations will assess the extent to which you are applying the sustainable development principle when taking steps towards meeting your well-being objectives.
- 24 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 3** 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.
- 25 In the spring of 2018 I will also be consulting on my forward programme of studies across all sectors and I would welcome views on the areas I should focus my national reviews on when the consultation is launched.

Exhibit 3: local government studies

In 2016-17 I published three national reports related to local government and will undertake fieldwork for a further three reports during the summer and autumn of 2018

Study	Status
2016-17 studies	
How local government manages demand	Published January 2018
Strategic commissioning	Publish in March 2018
Improving wellbeing through housing adaptations	Published in February 2018
2017-18 studies	
Services to rural communities	Fieldwork – Publish Summer/Autumn 2018
Use of data	Fieldwork – Publish Summer/Autumn 2018
Integrated care fund	Fieldwork February – Publish Autumn 2018

26 Taking all these factors into consideration, my 2018-19 programme of work will comprise:

Exhibit 4: performance audit programme

My 2018 performance audit programme will include local projects and national studies

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 publish an assessment of performance.
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Examination of the extent to which the Council has acted in accordance with the sustainable development principles when taking steps to meet the following wellbeing objective: Cardiff has a high quality city environment where population growth and transport needs are managed sustainably
Assurance and Risk Assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.

Performance audit programme	Brief description
Environmental Health	Review of the arrangements the Council has put in place to deliver environmental health services building on the study previously undertaken by the Auditor General as part of the 'delivering with less' themed studies.
Leisure Services	Review of the arrangements the Council has put in place to deliver leisure services building on the 'study previously undertaken by the Auditor General as part of the 'delivering with less' themed studies.
Corporate Safeguarding Arrangements	Review of the effectiveness of corporate safeguarding arrangements building on the study previously undertaken by the Auditor General in this area.
Delivering Capital Ambition	Ongoing review and monitoring of the Council's change programme.
2018-19 Local Government Studies	Funded by the Welsh Government
Implementation of the Social Services and Well-being Act	The Social Services and Well-being (Wales) Act 2014 focuses on reforming and simplifying the law relating to social services. The Act introduced new duties for local authorities, local health boards and other public bodies and covers adults, children and their carers, and came into force on 6 April 2016. The study will review progress by authorities in delivering their new duties under the Act and help to identify opportunities for improving current management and delivery arrangements. Further information can be found in our call for evidence report published in August 2017.

Performance audit programme	Brief description
Implementation of Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015	The Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015 aims to improve the Public Sector response to violence against women, domestic abuse and sexual violence; provide a strategic focus on these issues; and ensure consistent consideration of preventive, protective and supportive mechanisms in the delivery of services. Our review will focus on the effectiveness of arrangements to improve support for people affected by such abuse and violence. Further information can be found in our call for evidence report published in August 2017.
Value for Money of Planning Services	The Planning (Wales) Act 2015 (the Act) gained Royal Assent on 6 July 2015. The Act sets out a series of legislative changes to deliver reform of the planning system in Wales, to ensure that it is fair, resilient and enables development. An effective planning service will be at the front of shaping the character, development and prosperity of a local authority or national park. Given the requirements of the Act, it is important that planning authorities ensure that their services are fit for the future to ensure they meet both their statutory responsibilities but also support the delivery of corporate, regional and national priorities. Our review will consider the effectiveness and impact of planning services on local communities in Wales. Further information can be found in our call for evidence report published in August 2017.

- 27 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 2](#).

Certification of grant claims and returns

- 28 I have been requested to undertake certification work on the Council's grant claims and returns as set out in [Appendix 3](#). Details there are provided on our expectation that the Welsh Government will streamline its assurance arrangements by rolling out the 'Summary Schedule of Certified Welsh Government Grants' to all unitary authorities. This follows successful piloting at four authorities last year, including this Council. This means that there should only be a small number of claims and returns which remain to be certified in the 'traditional' way.
- 29 For this year, the Welsh Government will not require me to provide any report of factual findings related to any activity levels or outcomes.
- 30 My audit fee for this work is set out in [Exhibit 6](#).

Overall issues identified

- 31 [Exhibit 5](#) summarises the more significant and/or recurring issues I identified when undertaking grant certification work in 2016-17.

Exhibit 5: overall issues relating to grant claim and return certification

This table sets out common themes identified from my grant claim certification work carried out in 2016-17

Qualified grant claims and returns qualified in 2016-17

Due to the Council's inclusion in the pilot, the number of grant returns certified was much reduced from prior years. Of the five returns certified:

- one was qualified;
- two were reported subject to observation letters covering issues where the grant-paying body required comments to be raised; and
- the remaining two were not qualified or reported.

There are no common themes across the five audits conducted:

- the qualification of the 'Rhiwbina Flood Alleviation Scheme' claim related to a failure to evidence that the correct due processes had been followed in requesting additional funding and seeking approval of that funding, and also for reporting compensation payments to third parties; and
- the observations on the 'Housing Benefit Subsidy' return and the piloted 'Summary Schedule of Certified Welsh Government Grants' both related to specific reporting requirements set out in guidance from the grant-paying body – the grant returns were not qualified and the specific issues reported are likewise of lesser significance.

Effectiveness of grant co-ordination arrangements

As noted above, the volume of grant returns audited in 2016-17 was much reduced to previous years. None of the five returns were late and all but one were certified on schedule. The most complex audit arrangements related to the certification of the piloted 'Summary Schedule of Certified Welsh Government Grants' and this led to the certification being one week after the specified audit deadline. Appropriate feedback has been provided by the Council and by the audit team to assist with the full roll-out in 2017-18 across all 22 councils, and the difficulties arose due to the process needed to complete the audit and not in the Council's grant co-ordination arrangements.

Issues related to specific grant claims and returns

- 32 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 3](#).

Fee, audit team and timetable

Fee

- 33 Your estimated fee for 2018 is set out in [Exhibit 6](#). This figure represents a 1.25% decrease compared to the fee set out in the 2017 audit plan.
- 34 As per our approved Fee Scheme for 2018-19, a small increase has been applied to my fee rates (less than 1%) which we have looked to offset by a reduction in audit days. We only charge the costs actually incurred in completing our audit work. Therefore, as was the case in 2016-17, if the actual costs incurred in completing the audit work is less than the proposed fee, the Authority is only charged the lower amount.

Exhibit 6: audit fee

The total audit fee will be £471,097, made up of £273,664 for the audit of accounts, £108,801 for performance audit work, £65,000 for certification of grant claims and returns and £23,632 for other financial audit work.

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts ²	273,664	279,664
Performance audit work ³	108,801	108,801
Grant certification work ⁴	65,000	56,493
Other financial audit work ⁵		
Cardiff Harbour Authority	17,332	12,116
Cardiff Port Health Authority	2,100	1,800
Glamorgan Archives Joint Committee	2,100	1,800

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Prosiect Gwyrdd Joint Committee	2,100	2,100
Total audit fee	471,097	462,774

Notes:

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

² Payable November 2017 to October 2018.

³ Payable April 2018 to March 2019.

⁴ Payable as work is undertaken. There is due to be further changes to the grants programme for 2017-18, however, the effect of these changes on the likely fee is as yet unknown as we are awaiting further confirmation from Welsh Government on the grants that are required to be audited in 2017-18.

⁵ Payable on conclusion of audit work.

35 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 Cardiff Council.

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

Audit team

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

Exhibit 7: my team

This table provides contact details for the audit 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 320599	Huw.Rees@audit.wales
Phil Pugh	Financial Audit Manager	02920 320645 / 07964 118615	Phil.Pugh@audit.wales
Jon Martin, Kathryn Watts	Financial Audit Team Leaders	02920 872258	Jon.Martin@audit.wales Kathryn.Watts@audit.wales
Sara-Jane Byrne	Performance Audit Manager	07786 111385	Sara-jane.byrne@audit.wales

Name	Role	Contact number	E-mail address
Samantha Clements	Performance Audit Lead	07837 825175	Samantha.clements@audit.wales

38 There are some potential conflicts of interest that I wish to bring to your attention. The Audit Manager is a former colleague and friend of the Council's Programme Manager within the Corporate Finance Directorate. In addition one member of the team's wife works within the Council's Housing Development & Enabling Department and another member of the team's close relatives work within the Council's Electoral Division. I can confirm that, with the exception of the above, all other members of my team are independent of the Council and your officers. I can also confirm that I have introduced appropriate arrangements to ensure that none of my officers referred to above undertake any audit work in respect of the area of the Council's operations where potential conflicts of interest could be perceived to exist.

Timetable

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

Exhibit 8: timetable

This table sets out my proposed timetable for completion and reporting of my audit work at the Authority

Planned output	Work undertaken	Report finalised
2018 Audit Plan	January to February 2018	March 2018
Financial accounts work: <ul style="list-style-type: none"> Audit of Financial Statements Report Opinion on Financial Statements Financial Accounts Memorandum 	February to September 2018	September 2018 September 2018 October 2018
Performance work: <ul style="list-style-type: none"> Improvement Plan Audit Assessment of Performance Audit Assurance and Risk Assessment WFG Act Examinations Environmental Health Leisure 	May-June 2018 September – November 2018 April – November 2018 September 2018 - February 2019 July – November 2018 October 2018 – January 2019	June 2018 November 2018 December 2018 April 2019 January 2019 February 2019

Planned output	Work undertaken	Report finalised
<ul style="list-style-type: none"> Corporate Safeguarding Delivering Capital Ambition 	June – July 2018 April 2018 – March 2019 (Estimated)	September 2018 Ongoing throughout the year (Estimated)*
Annual Improvement Report	April 2018 – May 2019	June 2019
2019 Audit Plan	January – February 2019	March 2019

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

Future developments to my audit work

- 40 Details of future developments including changes to key International Financial Reporting Standards (IFRS) and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out in [Appendix 4](#).
- 41 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:
- **Sustainable Procurement.** Focused upon how to create a mind-set that supports sustainable procurement in relation to the WFG Act.
 - **Measuring Outcomes.** Supporting the WFG Act, 44 bodies shift their focus from outputs to outcomes and impact.
 - **Adverse Childhood Experiences.** In partnership with ACE's Hub at Public Health Wales and the Future Generations Office.
 - **Digital Seminar,** taking account of the Wales Audit Office 'Using Data Effectively' study. Working in partnership with The Information Commissioners Office and Y Lab.
 - **Building Resilient Communities.** Focusing on renewable energy, community skills, Welsh Language, housing and economy and Public Health Wales.
 - **Partnership working between Voluntary bodies and Public Sector Bodies.** Will also include the launch of the Good Practice Guide to Grants Management.
 - **Financial Audit – Early Closure of Local Government Accounts.** Focussing on cultural and behaviour changes.
 - **Alternative Service Delivery Models.** In partnership with WLGA, WCVA, Community Housing Cymru, Welsh NHS Confederation, and Good Practice Wales.

- **Cybersecurity.** Focusing on governance arrangements.
- **Preventing Hospital Admissions.** Jointly with NHS, Social Care, Housing and partners from the Third Sector.
- **Youth.** Following thematic reports from Estyn, CSSIW, HIW and the Wales Audit Office on the topic of youth. The GPX team will follow on with a seminar to share the learning.

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 me, by examination of the accounts or otherwise, to satisfy myself 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. I 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.

Section 15 of the Well-being of Future Generations Act (Wales) 2015 requires me to carry out examinations of public bodies for the purposes of assessing the extent to which it has acted in accordance with the sustainable development principle when:

- (a) setting well-being objectives; and
- (b) taking steps to meet those objectives.

I must carry out such an examination of each public body at least once during a five-year period. Before the end of the period I must report on the results of those examinations to the National Assembly.

Appendix 2

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

Exhibit 9: performance work in last year's audit outline still in progress

Four pieces of performance audit work included in last year's audit plan remain outstanding.

Performance audit project	Status	Comment
Overview and Scrutiny – Fit for the Future?	Fieldwork complete	Draft report due to be issued March 2018.
Welsh Housing Quality Standard review	Ongoing	Fieldwork due to take place March 2018.
Service user perspective review	Ongoing	This work will focus on the Council's housing tenants and will supplement our review of the Welsh Housing Quality Standard.
Aligning the levers of change – digital transformation	Ongoing	Workshops with sample of operational managers and front line staff to take place mid-April.

Appendix 3

Summary of grant claim certification work

Exhibit 10: summary of grant claim certification work

This table summarises my 2017-18 programme of grant claim certification work

Name of scheme	Period of scheme	Total/annual expenditure	Significant issues identified in 2014-15
Non Domestic Rates Final Contribution	Ongoing – annual return certified for 2016-17	£189,468,199	No issues identified.
Housing Benefit Subsidy	Ongoing – annual return certified for 2016-17	£149,946,121	Unqualified – but we issued an Observation Letter to DWP which accompanied the claim as our testing identified an underpayment of benefit due to assessor error.
Summary Schedule of Certified Welsh Government Grants	Piloted 2016-17 in four local authorities including the Council	£42,771,847	Unqualified – but we issued an Observation Letter to the Welsh Government accompanied the claim, highlighting that the claimed 'Admin and Management costs' for the Flying Start grant included in the schedule exceeded the maximum specified by Welsh Government in the terms and conditions of grant by a minimum of £145,388.
Teacher's Pension Return	Ongoing – annual return certified for 2016-17	£29,935,042	No issues identified.

Name of scheme	Period of scheme	Total/annual expenditure	Significant issues identified in 2014-15
Rhiwbina Flood Alleviation Scheme	2014-2018 – final claim audited	£1,391,665	<p>Qualified due to the following significant matters which indicated that the claim may not be fairly stated and in accordance with Welsh Government terms and conditions:</p> <ul style="list-style-type: none"> • no evidence has been provided that variations to the Project Funding had been correctly approved by Welsh Government; and • a compensation payment to an affected landowner had not been correctly reported to Welsh Government.

Appendix 4

Other future developments

Forthcoming key IFRS changes

Exhibit 11: forthcoming key IFRS changes

There are three key changes to accounting rules that will impact on the authority over the next three years.

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 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 the 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.

General Data Protection Regulation (GDPR)

The GDPR is a new data protection law for the whole of the EU applicable from 25 May 2018, which has the intention of harmonising and updating data protection laws. The UK Government has introduced the Data Protection Bill which will incorporate the GDPR into UK law and replace the 1998 Data Protection Act, and which it intends will also come into force on 25 May 2018.

The GDPR introduces new requirements for personal data processing, including an accountability principle which will require more detailed records of the processing of personal data, evidence of compliance with the data protection principles and the technical and organisational security measures taken to protect the data. We are updating our own policies, processes and documentation with a view to meeting these requirements and expect that the bodies we audit will be taking similar steps. Key areas of additional work include the use of more detailed fair processing notices, more privacy impact assessments and more extensive record keeping in relation to processing activities.

Wales Pension Partnership

The administering authorities for the eight Local Government Pension Scheme (LGPS) funds in Wales have established a pension investment pool in line with government requirements. The Wales Pension Partnership Joint Governance Committee will, from April 2018 onwards, oversee the pooling of some £15 billion of investments from the eight LGPS funds in Wales.

The relevant authorities need to be fully engaged in this process to ensure that appropriate arrangements are put in place that meet their requirements and to achieve the benefits of pooling which include economies of scale and reduced costs.

Good Practice Exchange

The Wales Audit Office's Good Practice Exchange (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.

Exhibit 12: Planned forthcoming GPX webinars and Seminars.

My planned GPX programme includes 11 subject areas

Date	Format	Topic
April 2018	Webinar	Sustainable Procurement. Focused upon how to create a mind-set that supports sustainable procurement in relation to the WFG Act.
May 2018	Webinar	Measuring Outcomes. Supporting the WFG Act 44 bodies shift their focus from outputs to outcomes and impact.
June 2018	Seminar	Adverse Childhood Experiences. In partnership with ACE's Hub at Public Health Wales and the Future Generations Office.
June 2018	Seminar	Digital. Seminar, taking account of the Wales Audit Office 'Using Data Effectively' study. Working in partnership with The Information Commissioners Office and Y Lab.
July 2018	Seminar	Building Resilient Communities. Focusing on renewable energy, community skills, Welsh Language, housing and economy and Public Health Wales.
September 2018	Seminar	Partnership working between Voluntary bodies and Public Sector Bodies. Will also include the launch of the Good Practice Guide to Grants Management.
October 2018	Webinar	Financial Audit – Early Closure of Local Government Accounts. Focusing on cultural and behaviour changes.
December 2018	Seminar	Alternative Service Delivery Models. In partnership with WLGA, WCVA, Community Housing Cymru, Welsh NHS Confederation and Good Practice Wales.
January 2019	Webinar	Cybersecurity. Focusing on governance arrangements.
February 2019	Seminar	Preventing Hospital Admissions. Jointly with NHS, Social Care, Housing and partners from the Third Sector.
March 2019	Seminar	Youth. Following thematic reports from Estyn, CSSIW, HIW and the Wales Audit Office on the topic of youth. The GPX team will follow on with a seminar to share the learning.

Appendix 5

National value-for-money studies

The Council may also be interested in the national value-for-money examinations that 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 13 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, follow-up work, or based on the findings of other reactive examinations.

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 13: national value-for-money studies

Topic	Anticipated publication (as at 11 January 2018)
Primary care services ¹	February/March 2018
Access to public services with the support of specialist interpretation and translation	March/April 2018
Waste management (waste prevention) Waste management (municipal recycling) Waste management (procurement of infrastructure)	March/May 2018
Early intervention and public behaviour change ²	March/April 2018
GP out-of-hours services – national summary report	April/May 2018
Rural Development Programme 2014-2020	April/May 2018
Business finance	May 2018

¹ An initial data rich report presenting a 'picture of primary care' in advance of further local audit work.

² Following on from some good practice work, we are planning to produce a short summary paper to highlight some of the issues raised and evidence gathered through that work, supported by a series of podcasts.

Topic	Anticipated publication (as at 11 January 2018)
NHS agency staffing costs ³	Summer 2018
EU Structural Funds programmes 2014-2020	Summer 2018
Improving the wellbeing of young people	Autumn 2018
Radiology services – national summary	To be confirmed
Integrated Care Fund	To be confirmed
Care experienced by children and young people ⁴	To be confirmed

³ Work has recently commenced on gathering data from across the health services of the UK to support a paper on the various approaches being taken to address the increasing costs of employing agency medical and nursing staff within the NHS. The precise format for this output is still to be determined.

⁴ The PAC has now set out its initial plans for some ongoing inquiry work on this topic. I will be supporting this work, although the precise nature of, and timescale for, any additional audit-related outputs is still to be determined.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone : 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2018 Audit Plan – Cardiff and Vale of Glamorgan Pension Fund

Audit year: 2017-18

Date issued: March 2018

Document reference: 474A2018-19

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.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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.

Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

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.

Contents

2018 Audit Plan

Summary	4
Audit of Pension Fund accounts	4
Fee, audit team and timetable	7
Future developments	9

Appendices

Appendix 1 – respective responsibilities	11
Appendix 2 – other future developments	12

2018 Audit Plan

Summary

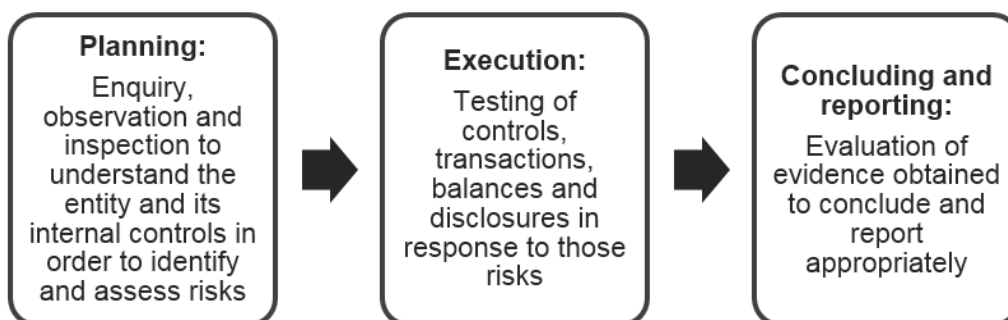
- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Code of Audit Practice to examine and certify whether Cardiff and Vale of Glamorgan Pension Fund (the Pension Fund) accounting statements are '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>Investment Management</p> <p>The systems and records of the investment managers generate account entries made to the Pension Fund Account and Net Assets Statement.</p> <p>The investment managers provide internal controls reports on the investments held on behalf of the Pension Fund. These are independently audited and provide the Pension Fund with assurance on a wide range of controls, e.g. valuation of the investment portfolio held.</p> <p>There is a risk that the internal controls' reports will not be available in the necessary timescales and, when received, highlight specific control weaknesses.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • assess the investment managers as a service organisation; • check that investments have been made in accordance with the Statement of Investment principles; • obtain direct confirmation from the investment managers and custodian of year-end investment balances and holdings; and • assess whether the investment manager's internal control reports for all investment managers provide assurance over a wide range of relevant controls, including valuation of investments held.
<p>Private Equity Investments</p> <p>Year-end valuation of private equity investments are provided by investment managers which are based upon forward looking estimates and judgements and industry guidelines. As there is no quoted market price, there is a greater risk for the reasonableness of valuation bases of these investments.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • confirm the investment valuations to audited financial statements; and • seek additional assurance over the valuation basis from controls assurance reports where available.

Financial audit risk	Proposed audit response
<p>All Wales Pension Partnership</p> <p>The eight Pension Funds in Wales have created a pooled investment vehicle which will be overseen and reported on by a joint governance committee. An inter-authority agreement has been signed by the eight Welsh Pension Funds and the joint committee will be producing financial statements for the 2017-18 financial period. However, no investments will be transferred to this new management arrangement until after 1 April 2018. The 2017-18 joint committee financial statements will only include administration costs of setting up the joint committee. Individual Pension Funds will need to recognise a share of the 2017-18 joint committee accounts in their financial statements.</p> <p>There is a risk that the joint committee accounts are not split out appropriately between the individual pension fund accounts.</p>	<p>My audit team will review progress on this arrangement and consider if there is an impact on the 2017-18 financial statements and what additional disclosures are required.</p>
<p>I-connect System</p> <p>We are aware that a new ICT System 'I-connect' was introduced during the financial year. This system is used to transfer data from employer payrolls into Altair (the pension system).</p>	<p>My audit team will gain an understanding of the system and undertake appropriate tests to ensure the completeness of the information transferred to Altair.</p>
<p>Amendments to the Accounts and Audit Regulations</p> <p>Welsh Government have issued revised Accounts and Audit regulations for Wales. This revised legislation will apply to the 2017-18 financial year.</p> <p>One of the key changes included in this legislation is that Pension Fund accounts no longer have to be incorporated into the administering authority accounts and can be produced as a stand-alone document.</p>	<p>My audit team will work with officers to ensure that the new legislative requirements are complied with.</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 of the 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.

Statutory audit functions

- 11 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
 - Section 31 Right to make objections at audit.
- 12 Audit fees will be chargeable for work undertaken in dealing with electors' questions and objections. Because audit work will depend upon the number and nature of any questions and objections, it is not possible to estimate an audit fee for this work.
- 13 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee, audit team and timetable

Fee

- 14 Your estimated fee for 2018 is set out in [Exhibit 3](#). This figure is consistent with the fee set out in the 2017 audit plan.

15 As per our approved Fee Scheme for 2018-19, a small increase has been applied to my fee rates (less than one per cent) which we have looked to offset by a reduction in audit days. We only charge the costs actually incurred in completing our audit work. Therefore, as was the case in 2016-17, if the actual cost incurred in completing the audit is less than the proposed fee, the Authority is only charged the lower amount.

Exhibit 3: audit fee

Audit area	Proposed fee for 2018 (£)	Actual fee for 2017 (£)
Audit of pension fund accounts ¹	32,256	29,232

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.harkin@audit.wales
Phil Pugh	Financial Audit Manager	02920 320645 / 07964 118615	phil.pugh@audit.wales
Kathryn Watts	Financial Audit Team Leader	02920 872258	kathryn.watts@audit.wales

19 There is one potential conflict of interest that I wish to bring to your attention. One member of the team’s close relatives work within the Council’s Electoral Division. I can confirm that, with the exception of this all other members of my team are independent of the Council and your officers. I can also confirm that I have introduced appropriate arrangements to ensure that this officer does not undertake any work in relation to the area where a potential conflicts of interest could be perceived to exist.

Timetable

- 20 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
2018 Audit Plan	January to February 2018	March 2018
Financial accounts work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on Financial Statements	March to September 2018 March to September 2018	September 2018 September 2018
2019 Audit Plan	December 2018 to January 2019	March 2019

Future developments

Well-being of Future Generations (Wales) Act 2015

- 21 The Well-being of Future Generations (Wales) Act 2015 (the Act) became law in April 2015. The Act requires me to report every five years to the National Assembly on how public bodies apply the sustainability principles. During 2016 I consulted on my options for reshaping public audit in Wales and this year have been working collaboratively with a small number of public bodies to develop an audit approach which is rigorous, meaningful and proportionate. I have also undertaken my first audit work relating to the Act, the Year One Commentary. I will publish a report on my findings in Spring 2018 and will share those findings at a national stakeholder event in May 2018.

Other

- 22 Details of other future developments including changes to key International Financial Reporting Standards (IFRS) and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out in [Appendix 2](#).
- 23 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 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 the 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.

General Data Protection Regulation (GDPR)

The GDPR is a new data protection law for the whole of the EU applicable from 25 May 2018, which has the intention of harmonising and updating data protection laws. The UK Government has introduced the Data Protection Bill which will incorporate the GDPR into UK law and replace the 1998 Data Protection Act, and which it intends will also come into force on 25 May 2018.

The GDPR introduces new requirements for personal data processing, including an accountability principle which will require more detailed records of the processing of personal data, evidence of compliance with the data protection principles and the technical and organisational security measures taken to protect the data. We are updating our own policies, processes and documentation with a view to meeting these requirements and expect that the bodies we audit will be taking similar steps. Key areas of additional work include the use of more detailed fair processing notices, more privacy impact assessments and more extensive record keeping in relation to processing activities.

Good Practice Exchange

The Wales Audit Office's Good Practice Exchange (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](#).

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone : 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru

**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**

AUDIT COMMITTEE:

27 March 2018

**TREASURY PERFORMANCE REPORT – POSITION AT 28
FEBRUARY 2018**

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 9.1

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

PORTFOLIO: CORPORATE AFFAIRS

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices.
2. This report has been prepared to provide Audit Committee Members with performance information and a position statement on Treasury Management as at 28 February 2018.

Background

3. Appendix 1 provides the Committee with position statements on investments and borrowing at 28 February 2018. There is deemed to be little change for Audit Committee to note since the previous position statement for 31 December 2017 received by Audit Committee in January 2018.

Performance

4. At 28 February 2018, investments total £45.5 million. This includes £0.7 million, which is separately identified for Treasury Management purposes in relation to Grant received by Cardiff Council as Accountable Body on behalf of the Capital Cardiff Region City Deal. The budgeted level of interest receivable from treasury investments in 2017/18 is £360,000.
5. Borrowing is £672.4 million, with the average rate being 4.71%. The total interest forecast to be payable is projected at £31.8 million for 2017/18.
6. The projected level of internal borrowing at 31 March 2018 is £64 million. This is dependent on capital expenditure in the year as well as the way in which that expenditure is to be paid for.

7. An internal audit review has been undertaken of the Treasury Management function in February 2018 and the level of assurance provided is 'Effective, with opportunity for improvement'. The main recommendations are to consider any requirements of the updated CIPFA treasury management code in 2018/19 as well as considering additional approval processes for CHAPS / Faster payments required to be made by the Treasury Management staff. These are to be developed in 2018/19 as part of the management response to the recommendations.

Investments

8. 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.
9. 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 2018 by a colour coding which indicates the perceived strength of the organisation.
10. 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.
11. 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

12. Since the December 2017 performance report a £2 million PWLB loan has matured and been repaid.
13. Current assumptions are that circa £20 million of the Council's borrowing requirement would be taken in March this financial year.

Reason for Report

14. To provide Audit Committee Members with a performance position statement at 28 February 2018.

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 that 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 28 February 2018 be noted.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
15 March 2018

The following appendix is attached
Appendix 1 – Cardiff Council Treasury Management Performance Report – 28 February 2018

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

**CARDIFF COUNCIL
CYNGOR CAERDYDD**

AUDIT COMMITTEE:

27 MARCH 2018

**PROPOSED TREASURY MANAGEMENT PRACTICES - APRIL
2018 ONWARDS**

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM 7.2

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

PORTFOLIO: CORPORATE AFFAIRS

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and Practices.
2. This report has been prepared to provide Audit Committee Members with the proposed Treasury Management Practices (TMP's) to apply from April 2018.

Background

3. The Council carries out its treasury management activities in accordance with a code developed for public services in 2017 by the Chartered Institute of Public Finance and Accountancy (CIPFA). This requires the preparation of what are termed 'Treasury Management Practices' and the areas which these must cover are specified.
4. The purpose of TMP's are to demonstrate that the Council's Treasury Management activities are carried out in an open and transparent framework. These are reviewed periodically under delegation FS5 to the Corporate Director Resources. These Treasury Management practices will continue to be revised during 2018/19 to meet recent changes made by CIPFA in their December 2017 update of the Code

to cover non Treasury Investments. This is to ensure that where investments such as financial assets and property are held primarily for financial return, that there are similar governance and risk management frameworks in place, as is the case with investments for Treasury Management purposes.

Issues

5. The Council's proposed Treasury Management Practices are based on the requirements of the CIPFA Code and also consider content as suggested by the Council's Treasury Management advisors. The document covers controls, processes and practices in the following twelve areas:-
 - Treasury risk management.
 - Credit and counterparty risk management.
 - Liquidity risk management.
 - Interest rate risk management.
 - Exchange rate risk management.
 - Refinancing risk management.
 - Legal and regulatory risk management.
 - Fraud, error and corruption, and contingency management.
 - Market risk management.
 - Performance management.
 - Decision-making and analysis.
 - Approved instruments, methods and techniques.
 - Organisation, clarity and segregation of responsibilities, and dealing arrangements.
 - Reporting requirements and management information arrangements.
 - Budgeting, accounting and audit arrangements.
 - Cash and cash flow management.
 - Money laundering.
 - Training and qualifications.
 - Use of external service providers.
 - Corporate governance.
6. An Internal Audit review of the TMP's as part of their periodic audit of the Treasury Function was undertaken in February 2018 including testing of treasury processes and systems. Any changes in processes following implementation of recommendations made will be reflected in the practices during the year.
7. The Audit Committee previously received updated Treasury Management Practices in March 2017. In this latest version, the main changes are to update wording and dates where required; reflect changes in prudential indicators no longer required to be prepared;

reflecting the revised Treasury Management Strategy approved by Council in February 2018; recognition that the Practices apply to any Treasury funds to be managed on behalf of Joint Committees, and inclusion of our agreed approach to the Markets in Financial Instruments Directive (II).

Reason for Recommendations

8. To note and provide comments on the proposed treasury management practices to apply from April 2018 which assists in the review and assessment of the risk management, internal control and corporate governance arrangements of the authority in relation to treasury activities.

Legal Implications

9. No direct legal implications arise from this report.

Financial Implications

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

RECOMMENDATIONS

11. Audit Committee to note the Treasury Management Practices to be implemented from April 2018.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
15 March 2018

The following appendix is attached

Appendix 1 – Treasury Management Practices and Annexes – Valid from April 2018

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

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

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

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

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

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

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

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

AUDIT COMMITTEE: 27 March 2018

INTERNAL AUDIT PROGRESS REPORT, 2017-18

REPORT OF THE HEAD OF FINANCE

AGENDA ITEM: 10.1

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

Reason for this Report

1. Audit Committee's 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 the audit team as at 28th February 2018, for the current financial year.

Background

3. An Audit Plan is prepared each year in order to provide a measure of the work performed by Internal Audit function. It is important that the plan 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.
4. The Head of Finance prepares progress reports for each meeting of the Audit Committee, outlining the work undertaken by the audit team.
5. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence is maintained as the Head of Finance reports functionally to the Audit Committee for all audit-related matters. The Head of Finance reports administratively and otherwise professionally to the Corporate Director Resources.
6. The progress report is 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. The Progress Update is then presented to Audit Committee.

Issues

7. The Internal Audit Progress Report, set out at Appendix A, provides further detail of the performance of the audit team and with particular reference to the Audit Plan. The progress update outlines the challenges facing the audit team, the remedial action already taking place and the information provided to Audit Committee in order to provide it with the assurance that appropriate internal controls are covered. The progress update provides the key points in the following paragraphs.

8. The progress report shows that, to date, 69% of the audit plan has been completed, with a further 11% to be completed by the end of the financial year. Many of the audits not yet completed are substantially complete, with the findings being discussed with managers before the draft reports are issued.
9. Appendix C sets out in detail the audit recommendations issued in this year and the progress to date in implementing them. Progress to date shows that 58% of the recommendations agreed have been implemented. This information has been provided by regular updates from directorates. Where directorates have not provided any information by the deadlines given, then these will be reported as part of the audit progress update. Whilst it is pleasing to note that all recommendations have been commented upon, there will be continued emphasis on the need for audit recommendations to be completed within the agreed timescales.
10. The draft audit plan for 2018/19 was presented to the January meeting of this Committee. Work has been undertaken to develop a more detailed audit plan, and this is reported at agenda item 10.3.

Legal Implications

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

Financial Implications

12. The actions taken in terms of resource as set out in paragraph 6 can be contained within the overall budget for Internal Audit.

RECOMMENDATIONS

13. That the Committee notes the contents of the report and the proposed change to the audit plan for 2017/18 to address the shortfall in audit days.

IAN ALLWOOD
HEAD OF FINANCE
27 March 2018

The following is attached: **Appendix A:** Internal Audit Progress Report, 2017/18
Appendix B: Revised Internal Audit Plan
Appendix C: Schedule of Audit Recommendations:

- Open Audits
- Schools' Open Audits
- Closed Audits
- Schools' Closed Audits
- Audits Not Previously Reported to Committee



RESOURCES DIRECTORATE INTERNAL AUDIT TEAM

Internal Audit Progress Report (As at 28th February 2018)

<u>CONTENT</u>	1
<u>INTRODUCTION</u>	2
Background	2
Internal Audit Section Resources	2
Continuing Professional Development	2
<u>SUMMARY OF WORK PERFORMED</u>	3
<u>AUDIT PERFORMANCE AND ADDED VALUE</u>	6
Added value	6
Benchmarking	6
Processes	6
Recommendations implemented	7
External Assessment	7
<u>SCRUTINY CORRESPONDENCE</u>	8
<u>FUTURE AUDIT PLANNING</u>	8
<u>CONCLUSION</u>	8
Annex A - Reports Issued to 28 th February 2018	9



Prepared by: Ian Allwood, Head of Finance

INTERNAL AUDIT PROGRESS REPORT

1. INTRODUCTION

1.1 Background

The Audit Committee at its meeting in March 2017 approved the Internal Audit plan for 2017/18. The plan is 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 was reviewed and the amendments to the plan were approved at the Audit Committee meeting on 18th September 2017.

The Internal Audit plan for the Audit section 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): 2,519 chargeable days were agreed – 2,102 for the audit team and 417 for the investigations team (see separate report at item 10.2 of the agenda). Following the September Audit Committee, the number of chargeable days for Audit was reduced to 1,862.

This report serves to provide an update on progress against the audit plan to 28th February 2018.

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.

As members will be aware from previous reports to this Committee, there were a number of occasions of sickness absence in the team for various reasons during the first four months of the year. This reduced the number of chargeable days worked for that period. For the period 1st August 2017 to 28th February 2018, there have been eight days of short-term sickness, which have been able to be absorbed with in the delivery of the audit plan.

1.3 Continuing Professional Development

The Council's new Personal Review Scheme from April 2017 has been used to reinforce the focus on improvement in productivity and recommendations implemented. The objectives for 2017/18 underpin the work of the Internal Audit section and were discussed and agreed with the

members of the Section by the end of June 2017. The half-year reviews were completed by the deadline given (30th November 2017) and work will shortly begin on the end of year reviews, with meetings diarised for April 2018. Work will begin on the development of objectives for 2018/19 during Q1.

The Performance Review process and the self-assessment against skills and competencies is a cornerstone of the Quality Assurance Improvement Plan (QAIP) for the section. In addition, the Cardiff Internal Audit Section is an active member of the Welsh Chief Internal Auditors group and support attendance at training events held. Further detail on the QAIP will be provided to the June meeting of this Committee.

2. SUMMARY OF WORK PERFORMED

The Audit Plan 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 had been given to any audits planned for 2016/17 but not completed during that year.

A full Plan v Actual position is provided at **Appendix B** and includes agreed changes to planned coverage, taking into account the need to review available resources due to sickness, the enhanced productive time of agency workers and areas identified from work of other scrutiny committees. It also shows the position with each audit as at the end of February 2018.

This progress report concentrates on audit work undertaken and highlights performance against the Audit Plan. The table below has identified for each line in the audit plan the status in terms of delivery. For the purpose of clarity, an audit has been designated as completed when a report has been issued or work has been completed on the CRSA to inform further audits. It can be seen that 69% of assignments have been completed with a further 10.9% being completed by 31st March. The table below summarises the position as at 28th February 2018:

Status of audits	Number of assignments	Percentage (%)
Completed	94	68.7
Deferred	14	10.2
On schedule for completion by 31.03.18	15	10.9
Not scheduled for completion by 31.03.18	14	10.2
	137	100.00

The number of chargeable days allocated to audits to 28th February 2018 is 1,371 (against a pro-rata plan of 1,697 days based on the revised plan), which is 81% of the planned chargeable days.

The opinions given in reports issued to the end of February 2018 (as detailed below) are summarised as:

	Number of reports	Opinion				No opinion given
		High Assurance / Effective	Satisfactory / Effective with opportunity for improvement	Limited / Insufficient with major improvement needed	No Assurance / Unsatisfactory	
Draft reports issued	21	3	6	7	1	4
Final reports issued	100	28	47	14	0	11
TOTAL	121	31	53	21	1	15
Draft reports being reviewed	5					

It can be seen that 106 reports have been issued against 92 completed assignments. The difference is because the thematic reviews are entered as one audit but may result in more than one report being issued (such as to each school within the theme). The table below shows the reports analysed over the areas in the audit plan:

	High Assurance / Effective	Satisfactory / Effective with opportunity for improvement	Limited / Insufficient with major improvement needed	No Assurance / Unsatisfactory	TOTAL
Fundamental	4	1	0	0	5
Corporate Governance	2	1	1	0	4
Other Assurance	2	3	4	0	9
City Operations	0	1	2	0	3
Communities	3	0	1	0	4
Economic Development	0	2	2	0	4
Education	16	38	12	1	67
Governance	1	1	0	0	2
Resources	2	4	0	0	6
Social Services	1	2	1	0	4
	31	53	21	1	106

The 15 pieces of work undertaken that have not been given an assurance opinion are shown in the table below (with the reviews undertaken in the period to 28th February 2018 shown in bold):

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 Head teacher.
Annual Returns (x 4)	Audits undertaken to support the Council’s Statement of Accounts.
Supporting People - Outcomes	A review of the outcomes information relating to the Supporting People grant (as required by the Welsh Government).
Illegal Money Lending Unit	Audit of grant for 2016/17 and submission of information to the NTSB.
Education Improvement Grant	Audit of grant for 2016/17 and submission of information to the Welsh Government.
Cardiff Further Education Trust Fund	Audit of accounts and draft report issued
Norwegian Church Trust Fund	Audit of accounts and draft report issued
Revision of Council Contract Standing Orders & Procurement Rules	Updated Rules adopted at Constitution Committee on 15.03.18
Revision of Council Financial Procedure Rules	Updated Rules adopted at Constitution Committee on 15.03.18
Peer review - Swansea	Draft report issued for presentation to Swansea Council Audit Committee in April 2018
Wedal Road HMRC	Review of processes for closure of site

The assignments identified as “not scheduled for completion by 31st March” will have completed the majority (if not all) of the fieldwork by that date, but any audit reports relating to these assignments will be issued in April / May 2018. The list of these assignments and those deferred is shown in the table below:

<i>Assignments deferred</i>	Assignments to be completed in April / May 2018
<i>Mileage and subsistence</i>	Payroll - CRSA
<i>Audit of corporate governance arrangements</i>	Inventory of information assets
<i>Programmes and projects</i>	CH&CS – effective decision making
<i>Education – statutory observations in opted out schools</i>	Contracts – in year testing
<i>Social Services – domiciliary care</i>	Economic Development – effective decision making

<i>CH&CS – mini tender process</i>	Use of internal and external providers
<i>School admissions</i>	Education - governance
<i>Assessment of return on investment in new housing developments</i>	Governance – commissioning & procurement
<i>Regional Partnership Board</i>	Social Services – commissioning & procurement
<i>Section 106 agreements</i>	Social Services - governance
<i>Pensions – in year testing</i>	Social Services – effective decision making
<i>Housing rents</i>	Advice and guidance
<i>Lease arrangements</i>	System development
<i>Insurance - CRSA</i>	Planning and monitoring
	Support for Audit Committee

3. AUDIT PERFORMANCE AND ADDED VALUE

3.1 Added value

Meetings are arranged with every Director, in line with our Relationship Manager initiative, and should take place at the end of (or near to the end of) each quarter. Additional meetings are held in February to discuss the audit plan for the forthcoming year, and Directors find them useful in discussing audits completed and planned as well as directorate risks, issues and areas for potential audit input (as required in the PSIAS).

Auditors also attend meetings of project boards and offer advice and guidance to officers on the development of new processes.

3.2 Benchmarking

The Audit team is a member of the Welsh Chief Auditors, Core Cities, and CIPFA benchmarking groups and has submitted information to all groups for 2016/17. Final information has been received from CIPFA and was reported to the Committee at the September meeting, with the output from the Welsh Chief Auditor Group reported to the November meeting.

There has been discussion at Core Cities group meetings on the benchmarking information, but no information has been received to date.

3.3 Processes

Internal Audit has continued its use of SharePoint and DigiGOV and the management information available from both systems provides performance management information for each auditor and the section as a whole, as well as the information provided in this report.

The Audit Development Group will be looking at further developing the use of SharePoint in the next quarter to enable audit reports to be shared with more audit clients directly (using the workflow functionality). The Group will also look within Sharepoint to streamline the team's processes by increasing the use of the "softer" functionality, such as the team calendar and announcements.

3.4 Recommendations implemented

One of the objectives in 2017/18 from the Finance delivery plan is to ensure that accountability and responsibility is clearly defined and acted upon, and the measure for Internal Audit is the percentage of recommendations implemented within three months. In order to measure this, the recommendations raised in each report are recorded on SharePoint and audit clients are provided with a link to the report to enable them to update the progress made on implementing each recommendation. Schools remain unable to access SharePoint in this way and Head teachers are provided with a copy of the recommendations for them to update.

The recommendations list on SharePoint is key information going forward in order to provide assurance to the Audit Manager and the Audit Committee that progress against the audit plan is being achieved as well as it being an effective way to assess the impact of the audit plan by identifying the % of audit recommendations implemented against those recommended. This is a good example of the reporting being more outcome focussed rather than focussing on inputs such as days available.

With regard to the implementation of recommendations as at the end of February 2018, it can be seen from **Appendix C** that 249 of the 430 (58%) recommendations raised so far in 2017/18 have been implemented. The deadline for some recommendations to be implemented has not yet been reached but, for the recommendations raised where the implementation date has been reached, 210 (86%) have been actioned.

3.5 External assessment

Members will be aware that, under the Public Sector Internal Audit Standards (PSIAS), there needs to be an external review of the Section by 31st March 2018. The report prepared by the Chief Audit Executive of Rhondda Cynon Taf CBC has been presented to this meeting at agenda

item 4.2 and Audit Committee members have had the opportunity to raise any matters regarding the review process or the report / action plan with him.

Members will also be aware that Cardiff has undertaken the assessment of Swansea Council. The draft report has been prepared and issued to the Chief Audit Executive of Swansea Council; it is anticipated that the report will be formally presented to the meeting of the Audit Committee of that Council at its meeting in early April 2018, along with the management responses to the action plan prepared. The Chief Audit Executive of Cardiff Council will attend this meeting to answer any questions on the report.

4. SCRUTINY COMMITTEE CORRESPONDENCE

At the March 2017 meeting of the Audit Committee, it was proposed that future progress reports included any relevant items arising from Scrutiny Committees. A review of the correspondence and matters discussed at the Council's Scrutiny Committees has shown a number of items to be considered as part of the work of Internal Audit in 2018/19, and these were outlined to Members at the January 2018 meeting. There have been no other items within the correspondence issued since the last meeting of the Audit Committee that would need to be reviewed in 2017/18 or included in the audit plan for 2018/19 at this stage.

5. FUTURE AUDIT PLANNING

The proposed audit plan for 2018/19 was presented to the January meeting of the Audit Committee and, since that meeting, work has been undertaken to identify the individual audits to be undertaken. This is set out in more detail in agenda item 10.3 to this meeting.

6. CONCLUSION

The indications are that 80% of the Audit Plan will be delivered by 31st March 2018 with the remaining work scheduled to be reported in early 2018/19 or planned to be included in the 2018/19 audit plan.

The audit plan is subject to regular review to ensure that it is reflective of changes to risks faced by the Council and to ensure resources available are used in an optimised manner. Whilst there is pressure on the audit team to achieve the plan there is confidence that the proposals put in place will ensure that the internal audit plan will be achieved and that an appropriate level of assurance will be achieved.

Reports Issued - as at 28th February 2018

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Fundamental / High				
NDR	Effective			
Council Tax	Effective			
Main accounting 2016/17	Effective			
Resources – payroll	Effective			
Governance & Legal Services – payroll	Effective			
Social Services – payroll	Effective			
City Operations – payroll	Effective with opportunity for improvement			
Resources – effective decision making (Pension Fund)	Effective			
Resources – effective decision making (Business Support)	Effective with opportunity for improvement			
Treasury Management	Effective with opportunity for improvement			
Communities, Housing & Customer Services – governance	Effective			
Communities, Housing & Customer Services – payroll	Effective			Housing
Communities, Housing & Customer Services – payroll	Effective			Customer Services
GLL	Insufficient with major improvement needed			Draft report issued
Risk Management	Effective			Draft report issued
Cardiff Capital Fund	Insufficient with major improvement needed	2		Draft report issued
School Organisational Plan	Insufficient with major improvement needed	3		Draft report issued
Audit of performance management	Effective			Draft report issued
Local Housing Allowances	Effective			Draft report issued
Resources – C&P	Effective with opportunity for improvement			Draft report issued
Economic Development – C&P	Effective with opportunity for improvement			Draft report issued
FMIT	Insufficient with major improvement needed			Draft report issued
Resources – governance	Effective with opportunity for improvement			Draft report issued
Economic Development – governance	Effective with opportunity for improvement			Draft report issued
Medium				
St. Cuthbert's	Limited	2	2	

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
St. David's	Satisfactory	1	1	
Welsh Language Standards	None given			
Adopted Land	Limited	3	3	
Mount Stuart	Satisfactory	1	1	
Eastern High	Satisfactory			
ICT – PCI DSS	Insufficient with major improvement needed	2	1	
ICT – governance	Effective with opportunity for improvement			
Insurance	Effective			
VFM – sickness absence procedures	Effective			
Homecare (Mobile Scheduling)	Insufficient with major improvement needed	0	0	
Education – income (Eastern High)	Effective			
Education – income (Whitchurch High)	Effective with opportunity for improvement			
Education – income (Bryn Celyn)	Effective			
Education – income (Gwaelod y Garth)	Effective			
Education – income (St. Patrick's)	Effective			
Education – income (Lansdowne)	Effective			
Education – income (Ninian Park)	Effective			
Education – income (Ysgol Bro Eirwg)	Effective			
Education – income (Radnor)	Effective			
Education – income (Grangetown)	Effective with opportunity for improvement			
Education – income (Springwood)	Effective with opportunity for improvement			
Education – income (Christ the King)	Effective with opportunity for improvement			
Education – income (Willows)	Effective			
Education – income (Ysgol Pen y Pil)	Effective with opportunity for improvement			
Education – income (Greenhill)	Effective			
Education – income (Llanishen Fach)	Insufficient with major improvement needed	2	2	
The Court	Insufficient with major improvement needed	1	1	
ICT – Business Continuity and Disaster Recovery	Insufficient with major improvement needed			
Cradle to Grave - Days	Effective with opportunity for improvement			
Education – income (Ysgol Mynydd Bychan)	Effective			
Education – income (St. Peter's)	Insufficient with major improvement needed	1	1	

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Catering in opted out schools	Effective with opportunity for improvement			
Education – payroll (Cathays)	Effective with opportunity for improvement			
Education – payroll (Tremorfa Nursery)	Effective with opportunity for improvement			
Education – payroll (Oakfield)	Effective			
Education – payroll (Lakeside)	Effective with opportunity for improvement			
Education – payroll (Rhydypenau)	Effective with opportunity for improvement			
Education – income (St. Paul's)	Effective			
Education – income (Ton yr Ywen)	Effective with opportunity for improvement			
Education – payroll (Mount Stuart)	Effective			
Education – income (Fairwater)	Insufficient with major improvement needed	1		
Kitchener	Effective with opportunity for improvement			
Payment processes	Effective with opportunity for improvement			
Education – payroll (Herbert Thompson)	Effective with opportunity for improvement			
Education – income (Glyn Coed)	Effective			
Education – payroll (Bishop of Llandaff)	Effective			
Adamsdown	Insufficient with major improvement needed	1	1	
Education – Commissioning & Procurement (Tredegarville)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Meadowlane)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Rumney)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Bryn Deri)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Gladstone)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Trowbridge)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Stacey)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Trelai)	Effective with opportunity for improvement			
St. Mary's	Insufficient with major improvement needed	1		
Education – Commissioning & Procurement (St. Philip Evans)	Insufficient with major improvement needed			
Education – Commissioning & Procurement (Allensbank)	Effective with opportunity for improvement			

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Education – Commissioning & Procurement (Severn)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Bryn Hafod)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Ysgol Treganna)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Ysgol y Berllan Deg)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Llanedeyrn)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Windsor Clive)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Hawthorn)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (All Saints)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Millbank)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Bishop Childs)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Howardian)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (St. Mary the Virgin)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Tongwynlais)	Insufficient with major improvement needed	1		Draft report issued
Education – Commissioning & Procurement (St. Cadoc's)	Insufficient with major improvement needed	3		Draft report issued
Education – Commissioning & Procurement (Cantonian)	Insufficient with major improvement needed			Draft report issued
Resources – Effective Decision Making (Revenues)	Effective with opportunity for improvement			Draft report issued
Music Service	Unsatisfactory	5		Draft report issued
Cradle to Grave – Gulliver's	Effective with opportunity for improvement			Draft report issued
Follow-ups				
Birchgrove	Satisfactory			
St. Monica's	Satisfactory	1	1	
All Saints	Limited	5	5	
Land Charges	Satisfactory			
Payments to Care Leavers	Limited	2	2	
Children with Disabilities	Effective with opportunity for improvement			
Grants / Accounts / External Bodies				
Joint Committee – City Deal	Annual returns (part of Statement of Accounts)			
Joint Committee – Port Health				
Joint Committee – Prosiect Gwyrdd				

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Joint Committee – Glamorgan Archives				
Supporting People - outcomes	Assessment of outcomes for Supporting People grant			
Illegal Money Lending Unit	Audit of grant for 2016/17 and submission of information to NTSB			
Education Improvement Grant 2016/17	Audit of grant for 2016/17 and submission of information to Welsh Government			
Cardiff Further Education Trust Fund	Accounts signed off and draft report issued			
Norwegian Church Trust Fund	Draft report issued			
<i>Ad hoc assignments</i>				
Breakfast Club – Coryton Primary School	Audit undertaken at the request of the Head teacher			
Revision of Contract Standing Orders & Procurement Rules	Updated Rules adopted at Constitution Committee on 15.03.18			
Revision of Financial Procedure Rules	Updated Rules adopted at Constitution Committee on 15.03.18			
Peer review - Swansea	Draft report issued for discussion at Swansea Council Audit Committee			
Wedal Road HMRC				

Mae'r dudalen hon yn wag yn fwriadol

Audit Plan 2017/18

Fundamental Audits - S151 Assurance	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days	Status as at 28.02.18	Revised Days
Creditor Payments & Processing (including procurement)	Assurance	Chargeable	75	CRSA 2017/18	10	CRSA issued	10
				In-year testing 2016/17 and 2017/18	65	Testing on 2016/17 complete. Testing on 2017/18 to be undertaken in Q1 2018/19	30
Payroll	Assurance	Chargeable	70	CRSA 2017/18	10	On schedule to be Completed by 31.03.2018	10
				In-year testing 2016/17 and 2017/18	60	Completed	60
Council Tax	Assurance	Chargeable	15	CRSA 2017/18	5	Fieldwork deferred to Q1 2018/19	5
				In-year testing 2016/17	10	Completed	10
NNDR	Assurance	Chargeable	15	CRSA 2017/18	5	Fieldwork deferred to Q2 2018/19	5
				In-year testing 2016/17	10	Completed	10
Local Housing Allowances	Assurance	Chargeable	15	Local Housing Allowances	15	Draft report issued	15
Treasury Management	Assurance	Chargeable	10	CRSA 2017/18	4	Completed	4
				In-year testing 2017/18	6	Completed	6
Main Accounting	Assurance	Chargeable	10	CRSA 2017/18	4	Fieldwork deferred to Q2 2018/19	4
				In-year testing 2016/17	6	Completed	6
Income and Debtors	Assurance	Chargeable	30	Income and Debtors	30	CRSA issued	30
Asset Management	Assurance	Chargeable	30	Asset Management	30	CRSA issued	15
Housing Rents	Assurance	Chargeable	10	Housing Rents	10	Deferred due to changes in legislation	10
Total			280		280		230
Corporate Governance Assurance - Audit (Tier 1)	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days	Status as at 28.02.18	Days
Audit of risk management arrangements	Assurance	Chargeable	20	Audit of risk management arrangements	20	Draft report issued	20
Audit of governance arrangements	Assurance	Chargeable	30	Audit of governance arrangements	30	Deferred	0
Audit of ethics and values	Assurance	Chargeable	15	Audit of ethics and values	15	Completed	15
Audit of performance management	Assurance	Chargeable	15	Audit of performance management	15	Draft report issued	15
Audit of Information governance	Assurance	Chargeable	20	Audit of Information governance	20	Completed	20
Total			100		100		70
Programme and projects (including ODP)	Assurance	Chargeable	20	Programme and projects (including ODP)	20	Deferred due to changes in the OD programme	0
Total			20		20		0
Other Assurance (Tier 2)	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days	Status as at 28.02.18	Days
Contract Audit	Assurance	Chargeable	130	Revision of CSO&PR and training	15	Completed	15
				CRSA 2017/18	10	Completed	10
				In-year testing 2017/18, including contract variations	35	On schedule to be Completed by 31.03.2018	35
				Effective Decision Making	10	Not scheduled for completion	10
				Cradle to Grave reviews (2)	10		0
				Cradle to Grave review - Days	0	Completed	5
				Cradle to Grave review - Gullivers	0	Draft report issued	5
Education - SOP	Assurance	Chargeable	30	Education - SOP	30	Draft report issued	30
Computer Audit	Assurance	Chargeable	100	Cybersecurity governance	30	Draft report issued	30
				Inventory of information assets	20	On schedule to be Completed by 31.03.2018	20
				Standard security configurations	20	Not scheduled for completion	20
				Information Access Management	10	Not scheduled for completion	10
				Response and remediation	10	Not scheduled for completion - included in Cybersecurity governance review	10
				On-going monitoring	10	Not scheduled for completion - included in Cybersecurity governance review	10
				Server virtualisation	0	Draft report issued	0
Business Continuity and Disaster Recovery	0	Completed	0				
Driving Improvement - Value for Money studies	TBC	Chargeable	30	Vehicle usage	10	Not scheduled for completion	10
				Disciplinary process	5	Not scheduled for completion	5
				PP&DR process	5	Deferred to 2018/19 to review full year impact 2017/18	5
				Sickness Absence procedures	5	Completed	5
				Discretionary grant payments	5	Draft issued	5
System Development	TBC	Chargeable	30	System Development	30	On schedule to be Completed by 31.03.2018	15
Pensions and Investments	Assurance	Chargeable	10	CRSA 2017/18	4	Completed	4
				In-year testing 2016/17	6	Deferred - see Resources EDM review	6
Insurance	Assurance	Chargeable	10	CRSA 2017/18	4	Deferred to 2018/19	4
				In-year testing 2016/17	6	Completed	6
Mileage & subsistence	Assurance	Chargeable	10	Mileage & subsistence (including pool cars)	10	Deferred	0
Stores	Assurance	Chargeable	15	Stores	15	Draft issued	15
Business Continuity	Assurance	Chargeable	15	Business Continuity	15	Not scheduled for completion	15
Capital Cardiff Fund	Assurance	Chargeable	0	Capital Cardiff Fund	0	Completed	10
Total			380		380		365

Service specific audits (Tier 2)	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days	Status as at 28.02.18	Days
City Operations	Assurance	Chargeable	120	Commissioning and Procurement	120	Draft issued	30
				Governance		Draft issued	20
				Payroll		Final report issued	20
				Effective Decision Making		Draft prepared - being reviewed	20
				Section 106 agreements		Not undertaken in 2017/18 due to system changes. Deferred to 2018/19	10
				Not yet allocated		Not scheduled for completion	20
				Adopted Land		0	Completed
Communities, Housing and Customer Services	Assurance	Chargeable	120	Commissioning and Procurement	20	Draft issued	20
				Governance	15	Completed	15
				Payroll	10	Completed	10
				Effective Decision Making	20	On schedule to be Completed by 31.03.2018	20
				Leasehold Properties	15	Not scheduled for completion	15
				Supporting People contracts	10	Completed - no report issued (continuous dialogue with directorate)	10
				Mini-tender Process	15	Deferred	15
				Assessment of Return on Investment (new housing developments)	15	Deferred (see report on CH&CS EDM)	0
				Community Hubs - follow up	0	Completed	0
				Regional Partnership Board	0	Deferred to 2018/19	0
				Communities First	0	Completed	0
				Consultation	0	Completed	0
	Economic Development	Assurance	Chargeable	110	Commissioning and Procurement	20	Draft report issued
Governance					5	Draft report issued	5
Payroll					5	Completed	5
Effective Decision Making					10	On schedule to be Completed by 31.03.2018	10
Managing Lease Arrangements					10	Deferred	10
Use of Internal and External Providers					10	On schedule to be Completed by 31.03.2018	10
Commercial Services					50	Fieldwork on-going. To be completed in Q1 2018/19	50
FMIT					0	Draft report issued	0
Education and Lifelong Learning	Assurance	Chargeable	330	Commissioning and Procurement	40	Completed	30
				Governance	40	On schedule to be Completed by 31.03.2018	40
				Payroll	20	Completed	20
				Effective Decision Making	40	Fieldwork	30
				Income	30	Completed	30
				Premises / stat observations in opted-out schools	20	Deferred	0
				Music Service	10	Draft report issued	10
				Catering in opted-out schools	15	Completed	15
				New developments, including Eastern High	35	Completed	35
				CRSA 2017/18	30	Completed	30
				Work in individual schools	50		0
				Adamsdown	0	Completed	5
				All Saints	0	Completed	5
				Birchgrove	0	Completed	5
				Eastern High	0	Completed	5
				Mount Stuart	0	Completed	5
				St. Cuthbert's	0	Completed	5
				St. David's	0	Completed	5
				St. Mary's	0	Completed	5
				St. Monica's	0	Completed	5
				The Court	0	Completed	5
Kitchener	0	Completed	5				
School Admissions	0	Deferred to 2018/19	0				
Governance and Legal Services	Assurance	Chargeable	20	Commissioning and Procurement	6	On schedule to be Completed by 31.03.2018	6
				Governance	2	Draft issued	2
				Payroll	2	Completed	2
				Effective Decision Making	5	To be completed in Q1 2018/19	5
				Use of external legal advice	5	Fieldwork on-going. To be completed in Q1 2018/19	5
Land charges follow up	0	Completed	0				
Resources	Assurance	Chargeable	50	Commissioning and Procurement	10	Draft issued	10
				Governance	15	Draft issued	15
				Payroll	10	Completed	10
				Effective Decision Making	15	Draft reports issued	15
Social Services	Assurance	Chargeable	300	Commissioning and Procurement	50	On schedule to be Completed by 31.03.2018	50
				Governance	50	On schedule to be Completed by 31.03.2018	50
				Payroll	20	Completed	20
				Effective Decision Making	40	On schedule to be Completed by 31.03.2018	30
				ICT systems and associated procedures	40	Not scheduled for completion	20
Admin processes	30	Not scheduled for completion	30				

				Domiciliary Care	30	Deferred to 2018/19	0
				Payment processes	40	Completed	40
				Homecare (Mobile Scheduling)	0	Completed	0
				Children with Disabilities	0	Completed	0
				Payments to Care Leavers	0	Completed	0
Total			1,050		1,050		940
External (Tier 2)	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days	Status as at 28.02.18	
External clients	Assurance	Chargeable	10	Cardiff Further Education Trust Fund	1	Completed	6
				Joint committees	3	Completed	3
				Other external clients	14		0
				Norwegian Church Trust 2015/16	0	Draft report issued	5
				Norwegian Church Trust 2016/17	0	Draft report issued	5
				Supporting People outcomes	0	Completed	4
				Education Improvement Grant	0	Completed	0
				WLGA	0	Request to undertake review received in Q4. Will not be complete by year end	0
				City Deal	0	To be completed in Q1 2018/19	0
Grants	Assurance	Chargeable	20	Tresilian House	2	Request to audit not received	2
				IMLU	5	Completed	5
				Flying Start	0	Request to undertake review received in Q4. Will not be complete by year end	0
				Other grants	5		0
				Total			30
Contingencies	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days	Status as at 28.02.18	
General Audit		Chargeable	82	General Audit	82	Completed	77
Total			82		82		77
Management (Tier 3)	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days	Status as at 28.02.18	
Support for Audit Committee / liaison with WAO	Consultation	Chargeable	40	Support for Audit Committee / liaison with WAO	40	On schedule to be Completed by 31.03.2018	40
Assurance mapping	Consultation	Chargeable	20	Assurance mapping	20	Completed	20
CRSA development	Consultation	Chargeable	10	CRSA development	10	Completed	0
Work requested by Audit Manager	Consultation	Chargeable	20	Work requested by Audit Manager	20		20
Audit Planning and monitoring	Consultation	Chargeable	20	Audit Planning and monitoring	20	On schedule to be Completed by 31.03.2018	20
Process Development	Consultation	Chargeable	20	Process Development	20		20
Review of Financial Rules etc	Consultation	Chargeable	30	Review of Financial Rules etc	30	Completed	30
Consultancy - advice and guidance	Consultation	Chargeable		Consultancy - advice and guidance		On schedule to be Completed by 31.03.2018	
Total			160		160		150
Total chargeable days			2,102		2,102		1,862

Mae'r dudalen hon yn wag yn fwiadol

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

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

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

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

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

AUDIT COMMITTEE: 27 March 2018

INTERNAL AUDIT PROGRESS REPORT 2017/18 – INVESTIGATION TEAM

REPORT OF THE HEAD OF FINANCE

AGENDA ITEM: 10.2

Reason for this Report

1. Audit Committee's 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 the Audit Section's Investigation team, as at 14 March 2018.

Background

3. An Audit Plan is prepared each year in order to provide a measure of the work performed by the Audit function. It is important that this allows for flexibility so that professional judgement can be applied, and work prioritised over the life of the Plan.
4. The Head of Finance prepares quarterly and half-yearly progress reports, outlining the work undertaken by the team.
5. The Corporate Director Resources receives progress updates, in order to provide a meaningful update on the work of the team and to give the opportunity to discuss changing priorities.

Issues

6. The progress report can be found at Appendix A.
7. A revised Fraud, Bribery and Corruption Policy has been drafted and is included on the agenda for this meeting at item 10.4.
8. The number of investigations completed during 2017/18 exceeds the total for the same period last year. Due to the time it takes to conduct an investigation, cases will often be concluded in a different quarter than received.
9. Ad hoc investigations are primarily related to employees and relate to ongoing disciplinary matters and potential suspected fraud.
10. The value of concluded investigations exceeds £190,000.
11. In order to improve the standard and consistency of employee misconduct investigations, the Internal Audit Investigation Team continue to deliver their disciplinary investigating officer training.

Legal Implications

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

Financial Implications

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

RECOMMENDATIONS

14. That the Committee notes the content of the report.

IAN ALLWOOD
HEAD OF FINANCE
27 March 2018

The following is attached:

Appendix A: Investigation Team - Progress Report March 2018

Investigation Team – Progress Report

Resources



Following a successful recruitment process, a highly experienced Home Office, criminal investigator has been appointed and commenced duties on the 26th February 2018. The officer is a College of Policing, Professionalising Investigation Programme (PIP) assessor and mentor and will help to improve the skills and knowledge base of the Investigation Team and Internal Audit.

The team is now back to full strength with 2.5 full time equivalents.

Training

Further to attending the CIPFA, Accredited Counter Fraud Technician Training during November, the Investigation Assistant has successfully completed the course and has received positive feedback on their assignment and has attained the Accredited Counter Fraud Technician qualification.

The Investigation Team was asked to write and deliver (mandatory) face to face training for officers who would be required to undertake employee investigations, from the commencement of the current Disciplinary Policy in April 2016. Due to the success of the training, a number of Directorates have decided to send all supervisors onto the 1 day course. To date the Investigation team has delivered 39 sessions with 307 attendees, all have completed a feedback form and 100% have been satisfied with the training received.

Following demand, a half day training session for disciplinary investigation, note takers has been developed, and is being delivered by the Investigation Team. To date 4 sessions have been delivered with 32 attendees, 100% have been satisfied with the training received.

Policies and Procedures

A revised Fraud, Bribery and Corruption Policy has been drafted and will be presented to the Audit Committee.

An Open Source - Online Investigation Policy has been produced and is due to be presented to the Senior Management Team.

Police investigation

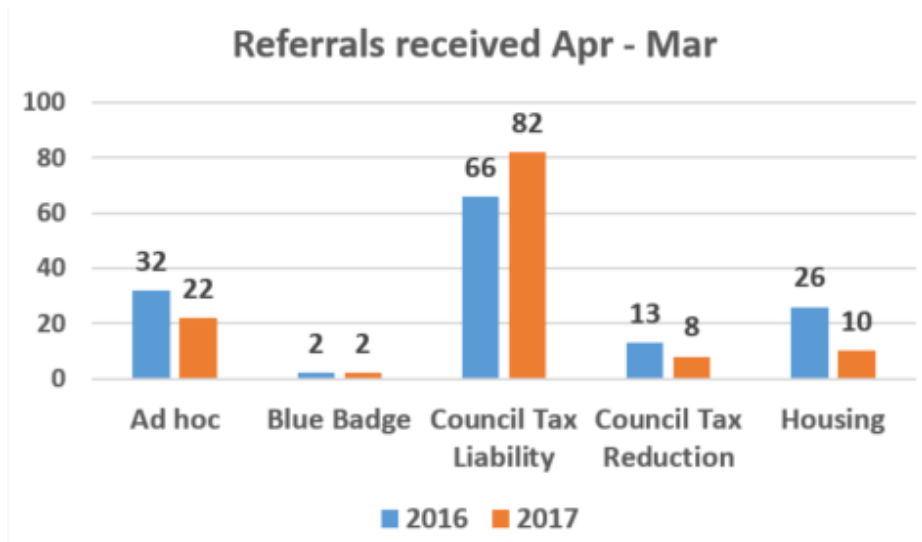
As has been reported in the media, there is a current fraud investigation underway that involves a number of staff. The Internal Audit, Investigation Team is coordinating the Council's internal investigation and continues to support South Wales Police with their enquiries. It would not be appropriate to disclose any further information at this time.

Whistleblowing

Cardiff Council has a Whistleblowing Policy and has produced "A Simple Guide" leaflet, this will be re-communicated to staff via the Core brief.

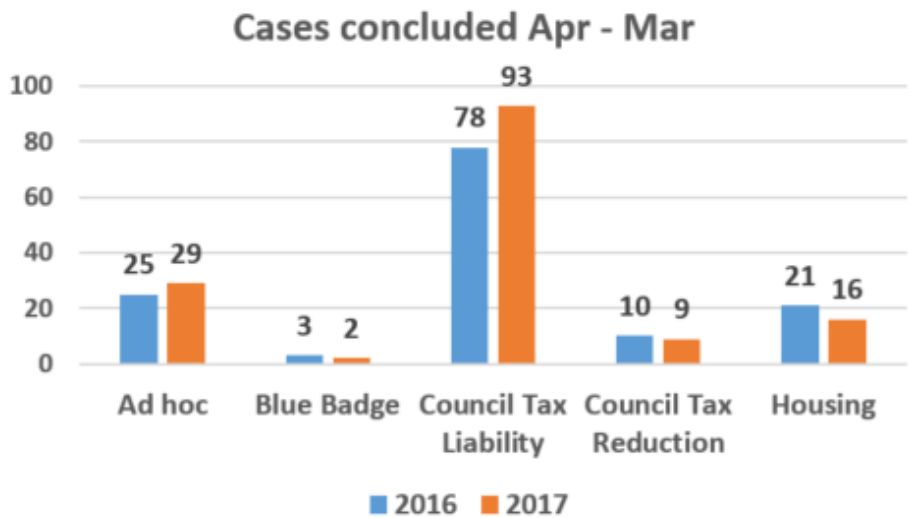
Reactive - Referrals

124 referrals have been received by the team, compared to 115 last year:

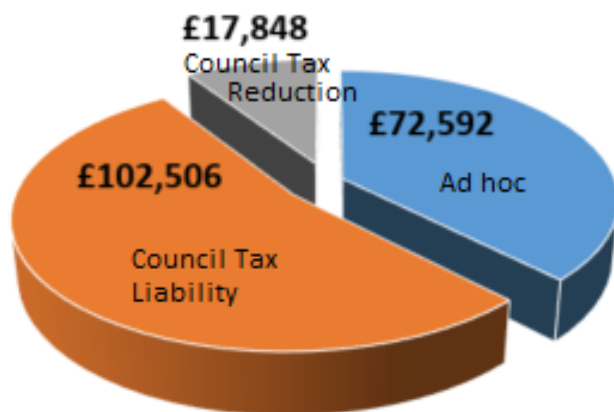


Investigations concluded

149 cases were concluded with a value in excess of £190,000 compared to 137 cases last year for the same period:



Value of concluded investigations



Adhoc referrals relate to employee misconduct or allegations of fraud committed by external persons against the Council. Employee investigations may be led by the Investigation Team, or assistance / advice will be provided.

AUDIT COMMITTEE: 27 MARCH 2018

INTERNAL AUDIT CHARTER 2018/19 and ANNUAL AUDIT PLAN, 2018/19

REPORT OF HEAD OF FINANCE

AGENDA ITEM: 10.3

Reason

1. The current Terms of Reference for the Audit Committee sets out the responsibility to approve the Internal Audit Strategy on an annual basis. The Terms of Reference also require members to approve the risk-based Internal Audit plan.
2. The Audit Committee has a responsibility to review its Terms of Reference on an annual basis. This report has been prepared to provide Audit Committee members with the details of the Internal Audit plan for 2018/19.

Background

3. At its meeting on 30th January 2018, the Draft Internal Audit Charter 2018/19 and Audit Plan 2018/19 were presented to Members for comment. The Audit Committee was asked to consider and provide comments in respect of the draft Charter and Audit Plan.
4. This report has been prepared to provide Audit Committee Members with confirmation of the minor word changes made to the Internal Audit Charter for 2018/19, which were requested at the last meeting. No changes to the Audit Plan were requested, and it has been further developed for approval by Audit Committee at this meeting. Discussions have been held with senior management in directorates to shape the plan, in addition to a risk-based methodology, in order to identify the activities of Internal Audit for 2018/19.
5. Accompanying the Charter is the final version of the Audit Committee Terms of Reference.

Issues

Audit Charter

6. The Internal Audit Charter set out in **Annex 1** is a formal document which establishes the Internal Audit Service's position within the organisation, the Audit Manager's functional reporting relationship with the Audit Committee, authorises access to records, personnel, physical properties relevant to the performance of engagements, and defines the scope of internal audit activities.
7. Appendix A to the Charter suggests the terms of reference for Audit Committee. The terms of reference may need to be revised when the CIPFA guidance on Audit Committees is received; the publication date for this document has been delayed and no definite publication date has been set out by CIPFA. Any changes will be brought to the attention of Audit Committee members as soon as possible after the guidance has been published.

Audit plan 2018/19

8. The proposed plan for 2018/19 was presented to the Audit Committee in January 2018. Since that meeting, work has been undertaken to further develop the plan and identify the audits that will be undertaken. The plan is attached as **Annex 2** and more detail on the cyclical planning process is attached as **Annex 3**. This shows the various steps taken in the consideration of the audit plan for 2018/19.
9. Members will be aware that the internal audit resources are allocated over a number of broad categories of work:
 - (a) Fundamental audits
 - (b) Corporate governance
 - (c) Other assurance
 - (d) Service specific.
10. Fundamental audits cover the key areas of finance in order to provide the Section 151 Officer with assurance on the controls in place. These are set out under "Fundamental Audits" in Appendix B. Members will note that the number of fundamental audits has been reduced from those undertaken in previous years, with NDR, Treasury Management, and Main Accounting not being undertaken; this is proposed following a review of the controls and outcomes over the last two years. It was considered that, as the systems are well controlled, Internal Audit adds little value by annually auditing them.
11. Members will note that it was not originally proposed to include Asset Management or Income and Debtors in the audit plan for 2018/19, as audits of these areas are currently being reviewed in 2017/18. However, discussions with officers since the draft plan was reported in January have identified some areas where Internal Audit could add value; these have, therefore, been included in the plan by making minor changes to the number of days allocated to other fundamental audits.
12. Discussions have been held with the Council's external auditor regarding auditing fundamental systems on a biennial basis and it has been agreed that Internal Audit will look to audit fundamental systems on such a basis. However, if there are any major system or operational changes during the year when it is planned not to undertake a full audit, an audit of that system will be added to the audit plan for that year (and the change reported to a meeting of this Committee).
13. The section of the plan related to Corporate Governance includes audits of the arrangements for risk management, performance management and information governance. The section for Other Assurance includes contract and computer audits.
14. A large proportion of days has, as in previous years, been allocated to Service Specific audits. As in 2017/18, the plan proposes to allocate a significant number of days within the directorates to the audit of key themes. The key themes for 2018/19 reflect the areas that risk assurance planning has identified as areas for attention due to the level of risk and are:
 - (a) Commissioning and Procurement;
 - (b) Budgeting and forecasting;
 - (c) Partnerships and collaborative governance;
 - (d) Value for Money; and
 - (e) ICT governance (Education and Lifelong Learning (schools) only)

15. The audits of commissioning and procurement will build upon the work undertaken in 2017/18 and will concentrate on contract management. The audits will also look at the implementation of the new Contract Standing Orders and Procurement Rules (which were approved at the meeting of the Council's Constitution Committee on 15th March 2018).
16. The plan allows a small amount of flexibility to undertake unplanned work. Any such assignments will be reported to the Audit Committee as part of the regular progress updates.

Legal Implications

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

Financial Implications

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

Recommendations

19. To agree the Internal Audit Charter and Terms of Reference.
20. To approve the Internal Audit Plan, 2018/19

**IAN ALLWOOD
HEAD OF FINANCE**

Annex 1: Internal Audit Charter 2018/19

Annex 2: Internal Audit Plan 2018/19

Annex 3: Cyclical Audit Planning

Mae'r dudalen hon yn wag yn fwriadol



CORPORATE RESOURCES INTERNAL AUDIT SECTION

Cardiff Council

INTERNAL AUDIT CHARTER 2018/19

Mission Statement
To enhance and protect organisational value by providing risk based and objective assurance, advice and insight

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

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

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



CONTENTS

Internal Audit Charter	3
• Definition, Objective and Scope of Internal Audit	3
• Role and Professionalism	3
• Authority	3
• Organisation	4
• Independence and Objectivity	4
• Responsibility	4
• Internal Audit Plan	5
• Reporting and Monitoring	6
• Periodic Assessment	6
• Quality Assurance and Improvement Programme - QAIP	6
<u>Appendix A:</u> Code of Ethics	7
<u>Appendix B:</u> Audit Activity Resources and Reporting Lines	10
<u>Appendix C:</u> Audit Committee Terms of Reference	11
<u>Appendix D:</u> Quality Assurance and Improvement Programme	14

INTERNAL AUDIT CHARTER

Definition, Objective and Scope of Internal Audit

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

Role and Professionalism

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

Authority

6. The internal audit activity with strict accountability for confidentiality and safeguarding records and information, is authorised full, free and unrestricted access to any and all of the organisation's records, physical properties and personnel pertinent to carrying out an engagement. All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Audit Committee.

Organisation

7. The Audit Manager will report functionally to the Audit Committee and administratively to the Section 151 Officer. The Head of Finance, as Audit Manager, also has responsibility for other finance functions, namely:
 - (a) Accountancy
 - (b) Information Governance
 - (c) Business Support
 - (d) Revenues

and is treated as the audit client for audits in these areas. Each audit is reviewed and managed by the Group Auditor and reported to the Corporate Director, Resources.

8. The Audit Committee will approve all reports regarding the performance evaluation of the Internal Audit function.
9. The Audit Committee will approve the internal audit charter, the risk based internal audit plan and receive communications from the Audit Manager on the internal audit activity's performance relative to its plan and other matters. The Audit Manager is delegated the authority to make in-year changes to the internal audit plan and approve audit engagements of no more than 10 planned audit days without seeking approval from the Audit Committee.
10. The resources allocated to the Internal Audit activity are outlined in Appendix B in conjunction with the reporting arrangements.

Independence and Objectivity

11. The internal audit activity will remain free from interference by any element in the organisation including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary, independent and objective mental attitude.
12. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair internal auditor's judgement.
13. Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.
14. Auditors will complete, on an annual basis, a Declaration of Business Interests form and submit it to the Audit Manager for review and authorisation. Any declarations will be used to ensure that there are no conflicts of interest in the audits allocated and to demonstrate transparency. The Group Auditor will not allocate audits to officers where potential conflicts have been identified.
15. The Audit Manager will confirm to the Audit Committee at least annually the organisational independence of the internal audit activity.

Responsibility

16. The scope of internal auditing encompasses but is not limited to the examination and evaluation of the adequacy and effectiveness of the organisations governance risk management and internal control processes in relation to the organisations defined goals and objectives. Internal control objectives considered by internal audit include:
 - Consistency of operations or programmes with established objectives and goals and effective performance
 - Effectiveness and efficiency of operations and employment of resources
 - Compliance with significant policies, plans, procedures, laws and regulations

- Reliability and integrity of management and financial information processes including the means to identify measure, classify and report such information

- Safeguarding of assets

17. Internal Audit is responsible for evaluating all processes of the Council including governance processes and risk management processes. It also assists the Audit Committee in evaluating the quality of performance of external auditors and maintains proper degree of coordination with internal audit.
18. Internal audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the Council. It may also evaluate specific operations at the request of Audit Committee or management as appropriate.
19. Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee and Senior Management including fraud risks, governance issues and other matters needed or required
20. The Audit Committee has a Terms of Reference which defines the area in which it operates and this is set out in Appendix C. The Terms of Reference are reviewed on a periodical basis.

Internal Audit Plan

21. At least annually, the Audit Manager will submit to the Audit Committee an internal audit plan for review and approval including risk assessment criteria. The internal audit plan will include timing as well as budget and resource requirements for the next financial year. The Audit Manager will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.
22. The internal audit plan will be developed based on a prioritisation of all auditable areas using a risk based methodology including input of senior management and audit committee. Prior to submission to the Audit Committee for approval, the plan may be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

Reporting and Monitoring

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

Periodic Assessment

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

Quality Assurance and Improvement Programme - QAIP

28. The internal audit activity will maintain a Quality Assurance and Improvement Programme that covers all aspects of the internal audit activity. The programme will include an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit standards, encompassing all mandatory elements of the IPPF, including an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency of the internal audit activity and identifies opportunities for improvement.
29. The Audit Manager will communicate to senior management and Audit Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing internal and external assessments conducted at least every five years.
30. Action taken to ensure that the Quality Assurance and Improvement Programme is effective is set out in Appendix D.

CODE OF ETHICS

Public Sector Requirement

Internal Auditors in UK public sector organisations must conform to the Code of Ethics as set out below. If individual Internal Auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

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

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

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

and

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

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

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

Applicability and Enforcement

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

Public Sector Interpretation

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

1. Integrity

Principle

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

Rules of Conduct

Internal Auditors:

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

2. Objectivity

Principle

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

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

Rules of Conduct

Internal Auditors:

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

3. Confidentiality

Principle

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

Rules of Conduct

Internal Auditors:

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

4. Competency

Principle

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

Rules of Conduct

Internal Auditors:

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

AUDIT ACTIVITY RESOURCES AND REPORTING LINES

Resources

1. **Audit Manager** – 0.15 FTE - responsible for leading and managing the audit and investigation teams in delivering their roles, as set out within the Public Sector Internal Audit Standards (PSIAS), and other professional Codes of Practice. This role is performed by the Head of Finance (Deputy S151 Officer).
2. **Audit Team** – 10.4 FTE - who undertake system based audits, financial audits, provide advice and guidance to clients on a wide range of matters and undertake work around efficiency and value for money.
3. **Investigation Team** – 2.5 FTE - dedicated to the prevention, detection and investigation of suspected fraud or financial impropriety.
4. All audit staff are required to maintain the highest standards of professional practice, and comply with professional Code of Practices. The Public Sector Internal Audit Standards are followed in all aspects of work undertaken.
5. For the purpose of the Public Sector Internal Audit Standards, the Audit Committee acts as the “Board” and the Corporate Director of Resources & Section 151 Officer is the Senior Manager overseeing the Internal Audit Function. The Audit Manager is the Chief Audit Executive.
6. Where the Head of Finance has operational responsibilities for activities, then the audit activity in this area conducted will be reviewed and authorised by a senior group auditor and assured by the Section 151 Officer.
7. All auditors and investigators are suitably qualified and collectively offer a wide range of skills, experience and knowledge. In the Audit team, there are two qualified Accountants, and most other auditors are qualified Accounting Technicians, with 4 studying for the Certified Internal Audit qualification. The Investigation team is led by a Group Auditor who has the CIPFA Certificate in Investigative Practice and investigators are Professional trained investigators (PINS).
8. Ongoing development and training of auditors is fundamental to the delivery of an effective and professional Audit service. The Council’s Personal Review Scheme is fully adopted within Audit where all members of the team assess themselves against the skills required for their respective roles. This assists in the identification of team and individual development and training opportunities within a robust performance management framework.

AUDIT COMMITTEE

TERMS OF REFERENCE

Governance, Risk & Control

- To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control.
- To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider the Council's framework of assurance and ensure that it adequately addresses the risk and priorities of the Council.
- To monitor the effective development and operation of risk management in the Council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To monitor the Counter-fraud strategy, actions and resources.

Internal Audit

- To approve the Internal Audit Charter.
- To approve the risk-based internal audit plan, containing internal audit's resource requirements, the approach to using other sources of assurances and any work required to place reliance upon those other sources.
- To approve significant changes to the risk-based internal audit plan, including audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the audit manager to determine if there are any inappropriate scope or resource limitations.
- To consider reports from the Audit Manager on Internal Audit's performance during the year. These will include:

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

External Audit

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

Financial Reporting

- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

- To seek assurances that the Council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks.

Accountability Arrangements

- To report to Council on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to Council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To raise the profile of probity generally within the Council and to report on matters of concern to the individual Cabinet Member, relevant Scrutiny Committee, Cabinet or to Council as necessary and appropriate.
- To work in synergy with the five Scrutiny Committees of the Council and liaise with other Council Committees as and when appropriate to avoid duplication in work programmes.

Training & Development

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

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

A Quality Assurance and Improvement Programme (standard 1300) is designed to enable an evaluation of the Internal Audit section's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

1. Every audit assignment has to undergo a Quality assurance review.
2. At the conclusion of each audit, a Post Audit assessment form is completed by both the auditor and the reviewer.
3. A quality assurance questionnaire is issued to the client at the end of each audit.
4. Each Directorate has a relationship manager with regular meetings to discuss outcomes of audits, audit plan and feedback.
5. Annual personal reviews include assessment against a skills and competency framework.
6. Periodic self-assessments are undertaken to evaluate conformance with the Code of Ethics and the Standards.
7. Benchmarking exercises are undertaken in order to assess our performance against other comparable organisations and report on significant variances; action plans are developed and implemented where appropriate.
8. Relevant Codes of Practice and Standards are adhered to.
9. There is compliance with Professional Accountancy / Audit and the Council's Codes of Conduct.
10. Annual report and regular periodic reports are presented to the Section 151 Officer and to Audit Committee.
11. The Chief Audit Executive has regular contact with external scrutiny functions such as Wales Audit Office.
12. There is a commitment to undergoing an external inspection on conformance to PSIAS every five years.

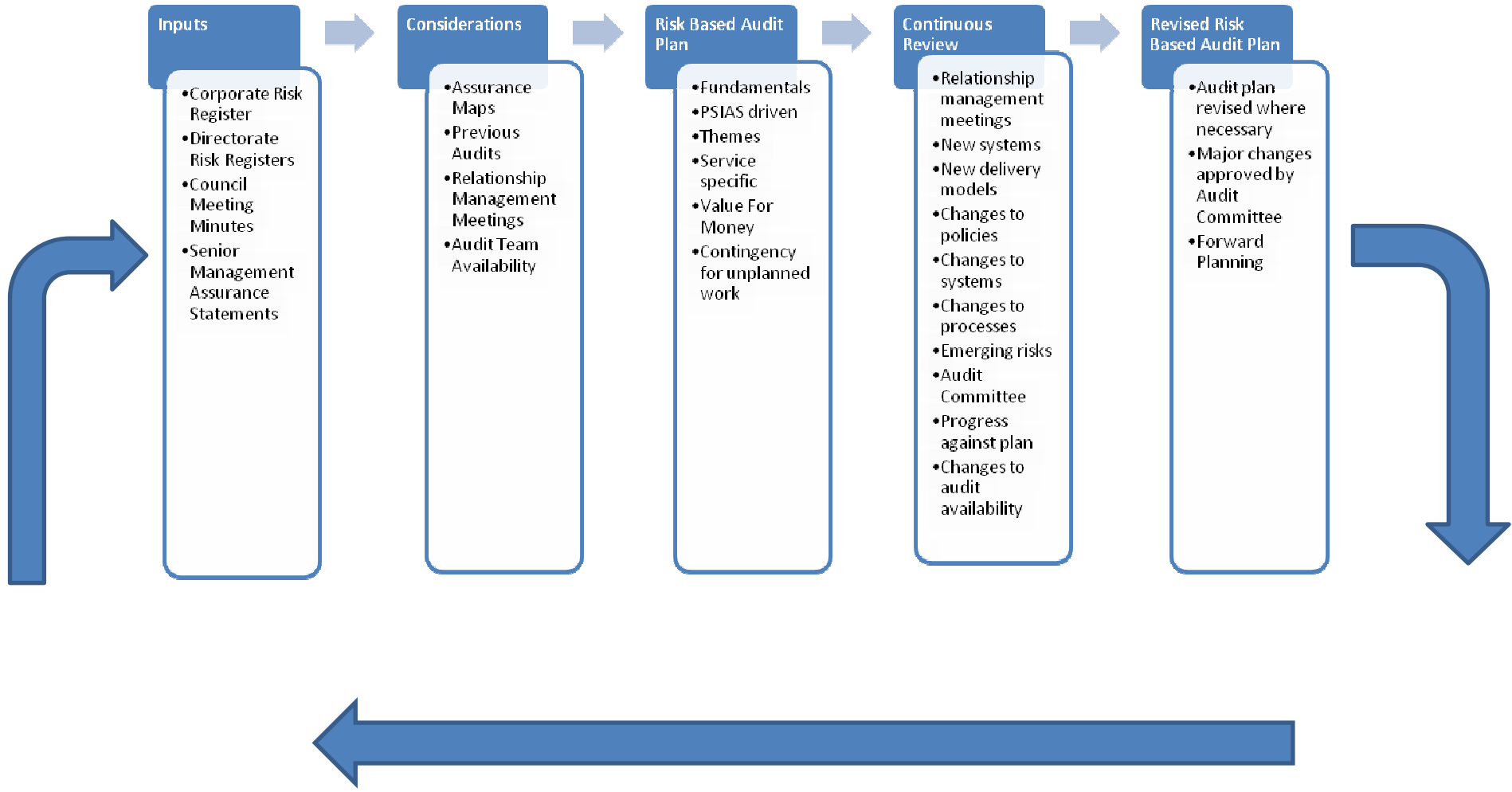
Audit Plan 2018/19

Fundamental Audits - S151 Assurance	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days
Creditor Payments & Processing (including procurement)	Assurance	Chargeable	70	CRSA 2018/19	20
				In-year testing 2017/18 and 2018/19	50
Payroll	Assurance	Chargeable	70	CRSA 2018/19	20
				In-year testing 2017/18 and 2018/19	50
Council Tax	Assurance	Chargeable	15	CRSA 2018/19	5
				In-year testing 2017/18	10
Local Housing Allowances	Assurance	Chargeable	10	Local Housing Allowances	10
Income and Debtors	Assurance	Chargeable	15	Income and Debtors	15
Asset Management	Assurance	Chargeable	20	Asset Management	20
Housing Rents	Assurance	Chargeable	15	Housing Rents	15
Total			215		215
Corporate Governance Assurance - Audit (Tier 1)	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days
Audit of risk management arrangements	Assurance	Chargeable	20	Audit of risk management arrangements	20
Audit of governance arrangements	Assurance	Chargeable	30	Audit of governance arrangements	30
Audit of ethics and values	Assurance	Chargeable	25	Audit of ethics and values	25
Audit of performance management	Assurance	Chargeable	20	Audit of performance management	20
Audit of Information governance	Assurance	Chargeable	15	Audit of Information governance	15
Total			110		110
Programme and projects (including ODP)	Assurance	Chargeable	20	Programme and projects (including ODP)	20
Total			20		20
Other Assurance (Tier 2)	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days
Contract Audit	Assurance	Chargeable	100	Training on new CSO&PRs	20
				Collaborative and partnership working	50
				Not yet allocated	30
Computer Audit	Assurance	Chargeable	100	Will be discussed with the Council's Chief Digital Officer (due to take up post in April 2018)	100
Driving Improvement - Value for Money studies	TBC	Chargeable	30	Review of sickness absence	5
				Review of agency worker appointment process	10
				Personal review process	5
				Review of overtime	10
System Development	TBC	Chargeable	30	System Development	30
Insurance	Assurance	Chargeable	10	CRSA 2018/19	4
				In-year testing 2017/18	6
Mileage & subsistence	Assurance	Chargeable	10	Mileage & subsistence (including pool cars)	10
Stores	Assurance	Chargeable	10	Stores	10
Health and Safety	Assurance	Chargeable	10	Health and Safety	10
Business Continuity	Assurance	Chargeable	15	Business Continuity	15
Total			315		315
Service specific audits (Tier 2)	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days
City Operations	Assurance	Chargeable	150	Partnerships and collaborative governance	20
				Commissioning and Procurement	20
				Budgeting and forecasting	20
				Value for Money	20
				Section 106 agreements	10
				Flood risk management	10
				To be allocated following further discussion with Director	50
Commerical Services	Assurance	Chargeable	60	To be allocated following further discussion with Director	60
Communities, Housing and Customer Services	Assurance	Chargeable	150	Partnerships and collaborative governance	25
				Commissioning and Procurement	20
				Budgeting and forecasting	25
				Value for Money	20
				Lettings policy for high rise accommodation	10
				Independent Living (link with Social Services?)	10
				Regional Partnership Board	15
To be allocated following further discussion with Director	25				
Economic Development	Assurance	Chargeable	70	Partnerships and collaborative governance	10
				Commissioning and Procurement	10
				Budgeting and forecasting	15
				Value for Money	10
				Park and Ride - Events	10
Education and Lifelong Learning	Assurance	Chargeable	350	Sports Joint Venture	15
				Partnerships and collaborative governance	25
				Commissioning and Procurement	25
				Budgeting and forecasting	25
				Value for Money	25
				ICT Governance	25
				School Admissions	10
Schools' estate	15				
Commissioning of independent investigations	20				

				Use of contractors by schools	20
				Work in individual schools	60
				Provision of training to schools	45
				Income processes (Education)	15
				Review of income procedures in school kitchens	10
				To be allocated following further discussion with Director	30
Governance and Legal Services	Assurance	Chargeable	50	Partnerships and collaborative governance	15
				Commissioning and Procurement	10
				Budgeting and forecasting	10
				Value for Money	15
Resources	Assurance	Chargeable	50	Partnerships and collaborative governance	10
				Commissioning and Procurement	15
				Budgeting and forecasting	15
				Value for Money	10
Social Services	Assurance	Chargeable	320	Partnerships and collaborative governance	25
				Commissioning and Procurement	25
				Budgeting and forecasting	25
				Value for Money	25
				Regional Social Care Training Unit	15
				Commissioning of independent investigations	20
				Domiciliary care	15
				To be allocated following further discussion with Director (following appointment)	170
Total			1,200		1,200
External (Tier 2)	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days
External clients	Assurance	Chargeable	10	Cardiff Further Education Trust Fund	2
				Joint committees	10
				WLGA	5
Grants	Assurance	Chargeable	20	Other grants	13
Total			30		30
Contingencies	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days
General Audit		Chargeable	30	General Audit	30
Total			30		30
Management (Tier 3)	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days
Support for Audit Committee / liaison with WAO	Consultation	Chargeable	50	Support for Audit Committee / liaison with WAO	50
Assurance mapping	Consultation	Chargeable	10	Assurance mapping	10
CRSA development	Consultation	Chargeable	20	CRSA development	20
Work requested by Audit Manager	Consultation	Chargeable	20	Work requested by Audit Manager	20
Audit Planning and monitoring	Consultation	Chargeable	20	Audit Planning and monitoring	20
Process Development	Consultation	Chargeable	20	Process Development	20
Review of Financial Rules etc	Consultation	Chargeable	40	Review of Financial Rules etc	40
Consultancy - advice and guidance	Consultation	Chargeable		Consultancy - advice and guidance	
Total			180		180
Total chargeable days			2,100		2,100

Cyclical Audit Planning

Page 421



Mae'r dudalen hon yn wag yn fwriadol

**CARDIFF COUNCIL
CYNGOR CAERDYDD**



AUDIT COMMITTEE: 27 MARCH 2018

FRAUD, BRIBERY & CORRUPTION POLICY

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 10.4

Reason for Report

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

Background

2. This policy was last reviewed and updated in 2015.
3. The new policy has been reduced in size and supplementary documents have been produced in order to assist officers who may wish to report concerns.
4. Clear definitions have been introduced and more information in respect of Bribery and Corruption have been added.
5. Members will be aware from regular reports received from the Audit Manager that the Council does deal with a number of cases of suspected fraud and financial impropriety and that there has been an increase in the number and complexity of these in recent times. This has emphasised the importance of having a policy in place which is fully understood and implemented consistently across the Council.

Issues

6. The Policy sets out how the Council will prevent, detect and investigate any suspicions of fraud or financial impropriety from within and through referrals received from outside the Council, setting in place a framework to ensure a consistent approach. The opportunity has been taken to set out clearly the expectation of officers working within the Council and those who have dealings with the Council, in terms of our "zero tolerance" approach to this type of activity.
7. The Internal Audit Investigation Team plays a key role supporting the Corporate Director, Resources with their responsibility for the proper administration of the Council's financial affairs.
8. In accordance with the Council's Financial Procedure Rules, Audit are required to be involved with investigations in all suspected cases of fraud, bribery and financial impropriety. The Internal Audit Investigation Team are professionally trained in undertaking civil and criminal investigations including PACE interviewing, surveillance etc.

9. The policy highlights the procedures to be followed in respect of prevention, detection, reporting and investigation, to ensure that all cases are appropriately considered, undertaken to professional standards and in a consistent manner.
10. The procedures do recognise the role of Senior Management in terms of their responsibility for financial control and the actions of their members of staff, but with the requirement that Internal Audit has to oversee and be content with how the investigation is undertaken and reported.
11. For further information in respect of identifying fraud, bribery and corruption, refer to Appendix B.
12. Appendix C, Fraud Response Plan, sets out how suspicions of fraud will be considered and investigated.

Reason for Recommendations

13. To receive and comment upon the updated Policy.
14. To enable the Section 151 Officer to approve future minor amendments to the Policy, substantive amendments to be considered by the Audit Committee.

Legal Implications

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

Financial Implications

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

Recommendation

17. To consider and comment on the policy update as considered appropriate.
18. To delegate authority to the Section 151 Officer to approve minor amendments to the Policy.

**CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES**

The following Appendices are attached:

**Appendix A – Fraud, Bribery & Corruption Policy
Appendix B – Counter Fraud Toolkit
Appendix C – Fraud Response Plan**



Fraud, Bribery & Corruption Policy

Cardiff Council's approach to preventing and detecting fraud, bribery and corruption,

FRAUD, BRIBERY AND CORRUPTION POLICY

Introduction

1. The Council is one of the largest employers in Wales, delivering services to approximately 350,000 people, with assets, interests and annual transactions running into billions of pounds. This policy sets out the Council's position in relation to fraud, bribery and corruption, whether it is attempted on the Council or from within it.
2. The Council's reputation is underpinned by ethical behaviour, financial probity and honesty. Fraud, bribery, corruption or other dishonesty adversely affects the Council's reputation and puts its ability to achieve its policies and objectives at risk by diverting the Council's limited resources from the provision of services to the people of Cardiff.
3. In carrying out its functions and responsibilities, the Council seeks to promote a culture of openness and fairness and expects all those who work for and within the Council to adopt the highest standards of propriety and accountability. Elected Members and employees of the Council must comply with statutory codes of conduct – The Members' Code of Conduct and the Employees Code of Conduct, both documents forming part of the [Constitution](#) of the Council. The Council fully recognises its responsibility for good financial management so that public money is safeguarded at all times and used appropriately, efficiently and effectively. The prevention, and if necessary, the investigation, of fraud, bribery and corruption is therefore seen as an important aspect of its duties, which it is committed to undertake. The procedures and the culture of the Council are recognised as important in ensuring high standards in public life.
4. The Council acknowledges that the vast majority of employees and those that work with it act with honesty and integrity at all times to safeguard the public resources they are responsible for. However, there are people who will not act in this way.

Who this policy applies to

5. This policy applies to everyone associated with the Council (employees, agency workers, temporary staff, elected members, school governors, service users, contractors, partners and voluntary bodies). The expectation is that all will remain alert to the risk of fraud, bribery and corruption and raise any concerns. They can do this in the knowledge that such concerns will be properly investigated, without fear of victimisation, subsequent discrimination or disadvantage.
6. Members of the public may also have concerns, but not know how and when to raise them, the reporting section below, explains the process to follow.

Aims and scope of this policy

7. This policy makes clear that the Council will not tolerate fraud, bribery or corruption and will take all necessary steps to investigate concerns and recover losses.
8. The Council is committed to an effective Policy designed to:

- raise awareness;
 - encourage prevention;
 - promote detection;
 - facilitate reporting;
 - identify a clear pathway for investigation;
 - act as a deterrent against future fraud, bribery or corruption.
9. The Council may seek an assurance that those tendering to provide supplies, goods, services and works to the Council have adequate anti fraud, bribery and corruption procedures and controls in place.
10. The Council has a Whistleblowing Policy which supports staff to report any serious concerns about malpractice within the Council and sets out a procedure for this. However, concerns relating to fraud, bribery and corruption will be investigated in accordance with this Fraud, Bribery and Corruption Policy. The Internal Audit, Investigation Team will liaise with the Director of Governance and Legal Services and Monitoring Officer in any cases where it appears that the Public Interest Disclosure Act 1998 (the legislation protecting 'whistleblowers') may apply.

Definitions – For the purposes of this policy:

11. **Fraud** is an unlawful act undertaken in order to make a gain for oneself or another, cause a loss or expose another to a risk of loss; often through false representation (i.e. under / over stating or lying about a fact), failure to disclose information (i.e. omitting a relevant fact) or abuse of a position (i.e. bullying / coercing others for one's own advantage or another's disadvantage).
12. **Bribery** is the giving, offer or promise of an advantage to another person to induce or reward improper performance of a relevant function or activity **or** requesting, agreeing to receive or accepting an advantage, with the intention to improperly perform a relevant function or activity
13. **Corruption** is the abuse of entrusted power for private gain, involving the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.

Recruitment, Training and Awareness

14. It is important that appointments are made fully in compliance with recruitment policies and procedures and as far as possible, the previous record of candidates in terms of their professional qualifications, honesty, propriety and integrity are verified and written references must be obtained before employment offers are confirmed. Where appropriate, Disclosure and Barring Service (DBS) checks will also be undertaken.
15. Training will be provided, as appropriate, to employees, in order to improve awareness of, and skills to combat, fraud, bribery and corruption.
16. Additional documentation and guidance is available on the Internal Audit Investigation Team's public SharePoint [site](#).

Prevention

17. The Council uses a number of methods to deter potential fraudsters from committing or attempting fraudulent or corrupt acts (including bribery) whether they are inside and/or outside of the Council, including:-
- Having a zero tolerance approach to fraud, bribery and corruption;
 - Publicising the Council's determination to prevent and detect fraud, bribery and corruption e.g. clauses in contracts, publications etc;
 - Acting robustly and decisively when fraud, bribery and corruption are suspected and proven e.g. the termination of contracts, dismissal, prosecution etc;
 - Taking action to recover losses e.g. through agreement, court action, penalties, insurance etc;
 - Having sound internal control systems, which allow for innovation, whilst limiting opportunities for fraud, bribery and corruption;
 - Optimising the publicity opportunities associated with anti-fraud and corruption activity within the Council and where appropriate, publishing the results of any action taken, including prosecutions, in the media.
18. There are a wide range of procedures in place to minimise the risk of fraud that constitute a major part of the Council's system of internal control, designed to ensure the Council conducts its business properly and effectively and completes its transactions fully, accurately and correctly.
19. The Council aims to have in place efficient and effective systems of control that as far as possible prevent potential fraudsters from exploiting weaknesses. The prime responsibility lies with senior management who are expected to design and operate systems and procedures that will minimise losses due to fraud, bribery, corruption. The Council's Internal Audit Team supports senior management through an independent appraisal of the integrity of all internal control systems.
20. Key documents in the prevention of fraud, bribery and corruption are the Council's [Financial Procedure Rules](#) and [Contract Standing Order & Procurement Rules](#), which must be adhered to at all, times. Employees are expected to abide by their professional Codes of Conduct and the [Employees Code of Conduct](#). Members are required to adhere to the [Member's Code of Conduct](#).
21. Employees are reminded that they are required to disclose any pecuniary interests in contracts relating to the Council and not to accept any fee or reward other than their proper remuneration. Employees are also required to comply with other Council policies such as those relating to gifts and hospitality for [officers](#) / [members](#) and [Officers Personal Interests and Secondary Employment Policy](#).
22. Senior Managers have a responsibility to consider, on an annual basis, the adequacy of controls to prevent and promptly detect fraud, bribery and corruption within their Directorate and enter risks, as appropriate on their risk register.

Detection

23. It is important that there are ways of detecting fraud when it happens. Most systems will have controls to measure the throughput of transactions and provide management reports for monitoring as a means of identifying suspected fraud.

24. The work of both Internal and External Audit is primarily to ensure controls are embedded into systems as a prevention measure. Management should also have inbuilt mechanisms to support early detection of anything untoward.
25. It is the responsibility of all managers, Members and employees to prevent and help detect fraud, bribery and corruption.
26. The Council participates in the National Fraud Initiative, an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The Council may also exchange information and intelligence with other public bodies or agencies to help combat fraud, bribery and corruption.
27. Fraud, bribery and corruption is often detected because employees and the public are alert to this activity. **Any person who suspects fraud or financial impropriety has a responsibility to report this, and if in doubt, should contact Internal Audit for advice.**

Reporting

28. Suspected fraud, bribery and corruption can be notified in a number of ways, but in all cases it is important that employees and/or the public feel confident to report their concerns and are clear of the means by which they are able to do so.
29. In the first instance concerns relating to fraud, bribery or corruption, should be brought to the attention of the Audit Manager via the Internal Audit, Investigation Team. Group Auditor (Investigations), Tel: (029) 2087 2284, alternatively, contact the Audit Manager, Tel: (029) 2087 2303.
30. The [Financial Procedure Rules \(Section 4\)](#) place a responsibility on Directors to immediately notify the Audit Manager whenever any matter arises which involves, or is thought to involve, a breach of security, theft, or irregularities concerning cash, stores or other property of the Council (including data), or any suspected irregularity in the exercise of the functions of the Council.
31. Members of the public wishing to report suspicions of a breach of security, theft, or irregularities concerning cash, stores or other property of the Council, or any suspected irregularity in the exercise of the functions of the Council, should if possible refer to information available on the Council's Fraud web page: ([Your Council/Council Finance/Managing the Council's Finances/Fraud](#)), or alternatively contact the Investigation Team by:

Email: fraud@cardiff.gov.uk

Telephone: 029 2087 2284

Post: Audit Manager, Internal Audit Section, Room 348, County Hall, Atlantic Wharf, Cardiff. CF10 4UW. (All mail to Internal Audit is delivered unopened.)

32. For further information in respect of identifying fraud, bribery and corruption, refer to the [Counter fraud toolkit](#).

Investigation

33. Following notification of a potential case, the Internal Audit Investigation team will agree with the employing Directorate who will lead the investigation. In the event of a disagreement, the Corporate Director Resources' decision shall be final.

34. The overall responsibility for investigating cases of suspected fraud, bribery, corruption or financial impropriety committed by employees rests with management of the employing Directorate; however, the Section 151 Officer has overall responsibility for financial stewardship throughout the Council and as such will seek assurance, through the Audit Manager, that a proper investigation is undertaken.
35. The [Fraud Response Plan](#) sets out how suspicions of fraud will be considered and investigated.

Collaboration with other Agencies and Bodies

36. Given the potential risk to the Council, the nature and scope of fraud, bribery and corruption and the ease with which fraudsters can utilise technology to commit fraud across boundaries, the Council will share information and intelligence with others, including (but not limited to):
 - Action Fraud
 - Cabinet Office / Wales Audit Office
 - HMRC
 - Home Office
 - Local Police
 - National Anti Fraud Network
 - National Fraud Intelligence Bureau
 - Other Local Authorities
 - UK Border Agency

Accountability

37. The Corporate Director Resources. As Section 151 Officer, is responsible for the proper administration of the Council's financial affairs.
38. The Audit Committee's Terms of Reference include: reviewing the assessment of fraud risks and potential harm to the council from fraud and corruption and to monitor the Counter-fraud strategy, actions and resources.
39. A record of referrals and their outcomes will be maintained by the Internal Audit Investigation Team and reported at least annually to the Audit Committee and Section 151 Officer.
40. Failure to comply with this policy, or making an untrue allegation frivolously, maliciously or for personal gain may result in disciplinary, or any other appropriate action being taken against you.
41. Responsibility for reviewing this policy, monitoring / overseeing, and reporting upon fraud, bribery, and corruption investigations to the Audit Committee and Section 151 Officer, rests with the Internal Audit, Investigation Team.

Confidentiality

42. The Council will treat all information received confidentially and disclose it only on a 'need to know' basis or as required by law. Any processing of personal data will comply with data protection laws and principles.

Counter fraud toolkit



*The Council has a **zero tolerance** attitude to
Fraud, Bribery and Corruption*

The Council has a zero tolerance approach to fraud, bribery and corruption and in managing its responsibilities is determined to protect itself both from within the authority and from those who have dealings with the Council.

Members and staff play a critical role in this approach as they are expected to be alert to the possibility of such activity in all their dealings, and are positively encouraged to raise any concerns associated with Council's activities, either currently or in the past. They can do this in the knowledge that such concerns will be properly investigated.

Concerns may be raised without fear of victimisation, subsequent discrimination or disadvantage.

Refer to:

Employees' code of conduct
Whistleblowing Policy
Fraud, Bribery & Corruption Policy
Fraud Response Plan
Financial Procedure Rules
Disciplinary Policy
The 7 principles of public life

The public is entitled to expect the highest standards of conduct from all employees

All local authority employees must comply with the Employees' Code of Conduct and the 7 principles of public life:

- **Selflessness** - act solely in terms of the public interest;
- **Integrity** - avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships;
- **Objectivity** - must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias;
- **Accountability** - accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this;
- **Openness** - should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing;
- **Honesty** - should be truthful;
- **Leadership** - should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Where there is suspicion of any fraud, corruption or financial impropriety, concerns will be investigated in accordance with the Fraud, Bribery & Corruption Policy

Prevention

There are a wide range of procedures in place to minimise the risk of fraud that constitute a major part of the Council's system of internal control, designed to ensure the Council conducts its business properly and effectively and completes its transactions fully, accurately and correctly.

The Council aims to have in place efficient and effective systems of control that as far as possible prevent potential fraudsters from exploiting weaknesses. The prime responsibility lies with senior management who are expected to design and operate systems and procedures that will minimise losses due to fraud, bribery, corruption and other dishonest action.

The Council's Internal Audit Team supports senior management through an independent appraisal of the integrity of all internal control systems and assists with or leads investigations as appropriate.

Key documents in the prevention of fraud and corruption are the Council's Financial Procedure Rules and Contract Standing Order & Procedure Rules, which must be adhered to at all times.

*It is the responsibility of all managers,
Members and employees to prevent and
help detect fraud, bribery and corruption*

**Acting upon suspicions of fraud, bribery, corruption,
financial impropriety**

Do 

- Be responsive to staff concerns
- Make an immediate note of your concerns
 - What was said, by whom, when etc
- Refer your suspicions to Internal Audit promptly
- Maintain confidentiality

Do not 

- Do nothing
- Be afraid of raising concerns
- Approach, challenge or accuse anyone directly
- Try to investigate the matter yourself
 - There are special rules surrounding gathering evidence for use in criminal cases, inappropriately gathering evidence may hamper an investigation. Internal Audit staff are appropriately trained
- Convey your suspicions to anyone other than those with the proper authority to deal with the issue

Report all reasonable suspicions promptly, if in doubt, seek advice

The following are examples of issues that whilst unlikely to occur, may be encountered and would likely be appropriate to report to the Internal Audit, Investigation Team:

Bribery / Corruption

Offers / promises / gives or receives a financial or other advantage with the intention to affect the proper performance of a function or activity

Expenses / overtime / allowances

Overstating or fictitious claims

Exploiting assets

Using council assets for personal / business use – disclosing inappropriately or selling Council information / data

Payments

Falsely creating, diverting or increasing payments

Personnel related fraud

Working elsewhere whilst sick, serious abuse of flexi scheme, deceit or misrepresentation, for example false references / qualifications

Receipt fraud

Theft of incoming cash or cheques and possible manipulation of financial records

Theft

Assets, Goods, Stock and could include cash taken or “borrowed”

Warning signs

The following list has been taken from real incidents of fraud and **may** have helped managers act sooner if other factors were also taken into account:

- **Bullying** - staff afraid to voice their concerns when issues are identified
- **Cars** - owning / regularly changing expensive cars
- **Cash** - not immediately entered into a till / safe or promptly reconciled / banked
- **Contractors** - regularly receiving gifts, attending sporting events, meals and socialising outside of work
- **Leave** – not taking time off, reducing the likelihood of a colleague covering work load
- **Lifestyle 1** - sudden, significant and unexpected change, wearing designer clothes / expensive jewellery to work
- **Lifestyle 2** - regular long haul, exotic holidays
- **Passwords** - relaxed attitude to password control – sharing passwords
- **Rules** - regularly failing to adhere to rules, maybe citing rules are too rigid, inflexible and inefficient
- **Suppliers** - insisting to work with a specific employee

Internal Audit, Investigation Team
April 2017

Cardiff Council
Internal Audit, Investigation Team

FRAUD RESPONSE PLAN

December 2017

Fraud Response Plan

Foreword

Capital Ambition, the administration's five-year plan for the city, outlines the council's vision for Cardiff to become a leading city on the world stage during a time of unprecedented austerity, recognising the likelihood of further reductions in public expenditure in the future.

The Council is funded by public money, through council tax, business rates and other sources. Fraud against the council is essentially theft of this money and the council takes its role as a guardian of these public funds seriously.

For these reasons, the council will not tolerate any fraud, bribery or corruption and has a zero tolerance approach.

1. INTRODUCTION

- 1.1 All actions undertaken will be lawful, necessary, reasonable, proportionate, adhere to the principles of natural justice and in compliance with policies and procedures.
- 1.2 This document has been prepared to act as a procedural guide for required actions, which must be followed, in the event of a suspicion of fraud, bribery, corruption or financial impropriety, either actual or attempted, within or against the Council and must be read alongside the Fraud, Bribery and Corruption Policy.
- 1.3 The objective of this Fraud Response Plan is to ensure that all suspicions are reported and that timely and effective action is taken in order to:
 - minimise the risk of inappropriate action or disclosure which may prejudice a subsequent investigation;
 - prevent further loss of funds or other assets;
 - ensure there is a clear understanding over who will lead any investigation;
 - ensure consistent action is undertaken;
 - ensure all cases are recorded and reported to the Section 151 Officer and Audit Committee;
 - minimise any adverse publicity.

2. SCOPE

- 2.1 The scope of this response plan is not limited to fraud and bribery but is applicable to any suspected act of financial impropriety. This includes any act that puts the Council's resources at risk.
- 2.2 The exception to this, is benefit fraud, which will be investigated by the Department for Work and Pensions.
- 2.3 This plan must be invoked immediately where suspicions of fraud, bribery, corruption or financial impropriety have been raised.
- 2.4 If in doubt, seek advice from the Internal Audit, Investigation Team.

Fraud Response Plan

3. DEFINITIONS

- 3.1 **Fraud** may be described as an unlawful act, undertaken in order to make a gain for oneself or another, or cause a loss. Often through False representation, Failure to disclose information or Abuse of a position.
- 3.2 **Bribery** is the giving, offer, or promise of an advantage to another person to induce or reward improper performance of a relevant function or activity **or** requesting, agreeing to receive or accepting an advantage, with the intention to improperly perform a relevant function or activity.
- 3.3 **Corruption** is the abuse of entrusted power for private gain, involving the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.
- 3.4 **Zero tolerance**, requires staff, members and those who engage with the council to act honestly and with integrity at all times, and to promptly report concerns. All concerns will be considered and investigated in accordance with existing policies and procedures and suspected crimes reported to the Police and action taken to recover monies obtained fraudulently.

4. REPORTING

- 4.1 Reports can be made in the knowledge that concerns will be properly investigated.
- 4.2 Whilst the overall responsibility for investigating cases of employee misconduct rests with management of the employing Directorate; all cases involving suspected or actual fraud, bribery, corruption or financial impropriety must be reported to the Audit Manager via the Internal Audit, Investigation Team, without delay.
- 4.3 Individuals outside of the Council wishing to report concerns must be directed to the Internal Audit, Investigation Team.
- 4.4 Concerns raised anonymously will be considered by the Internal Audit, Investigation Team.
- 4.5 It is important that actions at this stage do not prejudice or taint any potential future civil or criminal investigations.

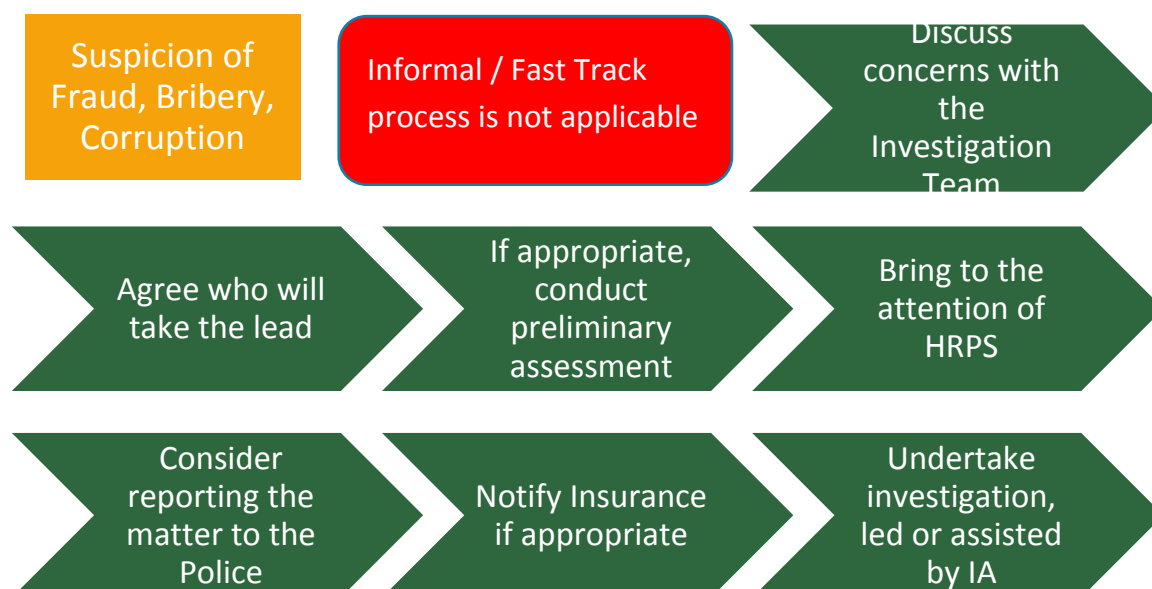
5. INVESTIGATION

- 5.1 Following notification of a potential case, the Internal Audit, Investigation team will discuss and agree with the employing Directorate who will lead the investigation.
- 5.2 The overall responsibility for investigating suspected fraud, bribery, corruption or financial impropriety rests with management of the employing Directorate; however, the Section 151 Officer has overall responsibility for financial stewardship throughout the Council and as such seeks assurance, through the Audit Manager, that a proper investigation is undertaken.

Fraud Response Plan

- 5.3 There may be occasions, for example a serious or complex case, when it would be more appropriate for the Internal Audit, Investigation Team to take the lead. In the event of a disagreement, the Section 151 Officer will have the final say.
- 5.4 Prior to undertaking Disciplinary Policy investigations, Investigating Officers must complete the mandatory ELearning and face-to-face training. Internal Audit Investigators are professionally trained to conduct civil and criminal investigations and gather evidence lawfully.
- 5.5 The Audit Manager will report cases of fraud, bribery, corruption or financial impropriety to the Audit Committee. The timing and detail of reports will be balanced against the need to inform committee members and the need to ensure that individuals' rights are not compromised and that investigations are not jeopardised.
- 5.6 At all times there will be compliance with the Disciplinary Policy and advice sought from HRPS at the earliest opportunity.
- 5.7 If criminality is identified, the expectation is that the matter will be reported to the Police. The Internal Audit, Investigation Team will attend any Police Referral Panel that is convened.
- 5.8 Due to the length of time that some Police investigations take to conclude, the Council reserves the right to conduct its own internal investigations and / or to instigate disciplinary proceedings against employees who are the subject of ongoing Police investigations. It is important that the criminal investigation is not prejudiced and therefore dialogue with the Police is likely to be necessary.

Conduct thought to involve at least 1 employee or person working for, or on behalf of the Council



Fraud Response Plan

6. EVIDENCE

- 6.1 It is imperative that all available evidence is preserved / secured lawfully without alerting individuals who are thought to be involved and held securely. Under no circumstances are electronic or physical documents to be edited, annotated or marked in anyway.
- 6.2 Searches, monitoring and surveillance may all be permissible, however, advice must be sought from the Internal Audit, Investigation Team to ensure compliance with relevant and current law, best practice, policies, procedures and guidance.

7. CONCLUSION

- 7.1 On conclusion of an investigation, the Investigating Officer will prepare a written report. The report will contain all the factual information, relevant documents, and interview records/statements. There will be an evaluation of the facts and a recommendation as appropriate, which will include whether or not the matter should proceed to a disciplinary hearing.
- 7.2 Where control issues have been identified, following discussions with the Audit Manager, a clear plan will be produced to address the issues, options include an ad hoc audit assignment or an audit report.
- 7.3 The Investigation Team will regularly produce progress reports to the Audit Committee, in addition, completed investigations relating to fraud, bribery and corruption will be reported to the Section 151 officer and Audit Committee as appropriate.
- 7.4 Recovering losses is a major objective of any investigation and in all cases the Council will vigorously pursue recovery and will use all means available, including civil sanctions.

8. POLICY REVIEW

- 8.1 Internal Audit will conduct a review of this Fraud Response Plan biennially or more frequently if required, to ensure that it reflects changes which may be necessary to strengthen future responses by the Council to fraud, bribery and corruption, and to ensure that the procedures reflect current best practice. Where any changes are to be made, these will be brought to the Audit Committee for endorsement.

Mae'r dudalen hon yn wag yn fwriadol

DRAFT Audit Committee Work Programme 2018-19

Key: One-off Items

Topic	Tuesday 26.06.18 at 2pm (CR4)	Tuesday 18.09.18 at 2pm (CR4)	Tuesday 13.11.18 at 2pm (CR4)	Tuesday XX.01.19 at 2pm (CR4)	Tuesday XX.03.19 at 2pm (CR4)	Tuesday XX.06.19 at 2pm (CR4)
				13.11.18 Audit Committee Meeting		
Wales Audit Office	Annual Improvement Report					Annual Improvement Report
	Annual Audit Plan 2018	Audit of Financial Statement Report for City of Cardiff Council (ISA260)			Annual Audit Plan 2019	
	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/Report Progress Update	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update	WAO Activity/Report Progress Update
Treasury Management	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report
		Annual Report	Half Year Report			
				Draft Strategy 2019-20	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 2017-18 (including the AGS)	Final Statement of Accounts for 2017-18 (including the AGS)			Draft Accounting Policies for 2018/19 and AGS	Draft Statement of Accounts 2018-19 (including the AGS)
		Annual Report on the Council's position on income				
	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 2017-18			Draft Audit Charter and Draft Audit Plan 2019-20	Audit Charter and Audit Plan 2019-20	Internal Audit Annual Report 2018-19
Governance and Risk Management	Audit Committee Annual Rep.2017-18			Audit Committee Annual Report Discussion 2018-19	Audit Committee Draft Annual Rep. 2018-19	Audit Committee Annual Rep. 2018-19
	Senior Management Assurance Statement Review – Feedback – Final Position			Senior Management Assurance Statement Review		Senior Management Assurance Statement Review – Feedback – Final Position
				AGS 2018-19 Action Plan (Mid-Year)	Draft AGS 2018-19	
	Corporate Risk Management (Year-End)	Corporate Risk Management (Qtr 1)	Corporate Risk Management (Mid-Year)		Corporate Risk Management (Qtr 3)	Corporate Risk Management (Year-End)
					Audit Committee Self-Assessment Feedback/Action Plan	
Operational matters / Key risks	Christine Salter Update on Internal Control Environment	Education - Annual Report on School Governance (inc. Balances) & Deficits	Sarah McGill (Communities, Housing & Customer Services) Update on Internal Control Environment	Davina Fiore Update on Internal Control Environment	Andrew Gregory? Update on Internal Control Environment (starting new cycle of director invites from this point – is this happening annually with same subject??)	Sarah McGill? (Corporate Director People & Communities) Update on Internal Control Environment
	Paul Orders SMAS's	Nick Batchelar Update on Internal Control Environment				

Mae'r dudalen hon yn wag yn fwriadol