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## AGENDA

**Pwyllgor** PWYLLGOR ARCHWILIO

**Dyddiad ac amser y cyfarfod** DYDD MAWRTH, 2 EBRILL 2019, 2.00 PM

**Lleoliad** YSTAFELL BWYLLGORA 4 - NEUADD Y SIR

**Aelodaeth** Cyngorydd Ian Arundale (Cadeirydd)  
Gavin McArthur, David Price, D. Hugh Thomas  
Cynghorwyr Bale, Cunnah, Goddard, Howells, McGarry, Singh, Walker  
a/ac Williams

### 1 **Penodi Aelodau Newydd**

### 2 **Ymddiheuriadau am Absenoldeb**

To receive apologies for absence.

### 3 **Datganiadau o Fuddiant**

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

### 4 **Cofnodion** (*Tudalennau 5 - 14*)

Cymeradwyo cofnodion y cyfarfod blaenorol fel cofnod cywir.

### 5 **Materion Gweithredol** (*Tudalennau 15 - 28*)

5.1 Paul Orders, Prif Weithredwr 2.05pm  
Y Diweddaraf ar Amgylchedd Rheoli'r Cyngor

5.2 Andrew Gregory, Cyfarwyddwr Cynllunio, Trafnidiaeth a'r 2.35pm  
Amgylchedd  
Y Diweddaraf ar Reoli Gwastraff

### 6 **Cyllid** (*Tudalennau 29 - 70*)

6.1 Diweddariad Ariannol gan gynnwys Materion Gwydnwch

6.2 Polisiau Cyfrifeg ac Amserlenni ar gyfer Datganiad Cyfrifon 2018-19

**7 Llywodraethu a Rheoli Risg** (*Tudalennau 71 - 134*)

7.1 AGS Drafft 2018-19

7.2 Rheoli Risg Corfforaethol (Chwarter 3)

7.3 Adborth Hunan Asesu / Cynllun Gweithredu y Pwyllgor Archwilio

**8 Swyddfa Archwilio Cymru** (*Tudalennau 135 - 176*)

8.1 Cynllun Archwilio Blynyddol 2019

8.2 Cynllun Archwilio Cronfa Bensiwn Caerdydd a'r Fro

8.3 Y Diweddaraf ar Gynnydd Adroddiad / Gweithgareddau WAO

**9 Traciwr SAC / Astudiaethau Eraill**

**10 Rheoli'r Trysorlys** (*Tudalennau 177 - 248*)

10.1 Adroddiad Perfformiad

10.2 Arferion Rheoli'r Trysorlys

**11 Archwiliad Mewnol** (*Tudalennau 249 - 348*)

11.1 Y Diweddaraf ar Gynnydd y Tîm Archwilio 2018-19

11.2 Y Diweddaraf ar Gynnydd y Tîm Ymchwilio 2018-19

11.3 Siarter Archwilio a Chynllun Archwilio 2019-20

**12 Gohebiaeth Craffu (Gweithgarwch y Pwyllgor Craffu)**

**13 Camau Gweithredu Heb eu Cyflawni** (*Tudalennau 349 - 350*)

**14 Diweddariad ar y Rhaglen Waith** (*Tudalennau 351 - 352*)

**15 Materion Brys (os o gwbl)**

**16 Dyddiad y cyfarfod nesaf.**

Cynhelir y cyfarfod nesaf ar 25 Mehefin 2019 (yn unol â chymeradwyaeth yn y

Cyngor Blynyddol ar 23 Mai 2019).

**Davina Fiore**

**Cyfarwyddwr Llywodraethu a Gwasanaethau Cyfreithiol**

Dyddiad: Dydd Mercher, 27 Mawrth 2019

Cyswllt: Graham Porter, 02920 873401, [g.porter@caerdydd.gov.uk](mailto:g.porter@caerdydd.gov.uk)

Mae'r dudalen hon yn wag yn fwriadol

AUDIT COMMITTEE

22 JANUARY 2019

Present: Independent Members: Ian Arundale (Chair)  
Gavin McArthur and David Price  
Councillors Bale, Cowan, Cunnah, McGarry, Singh and Walker

62 : APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Howells.

The Chair advised Members that Councillor Lay recently advised of his decision to stand down from the Audit Committee. The value the Councillor has brought to the Committee was recognised.

63 : DECLARATIONS OF INTEREST

No declarations of interest were received.

64 : MINUTES

The minutes of the meeting held on 13 November 2018 were approved by the Committee as a correct record and were signed by the Chairperson.

Operational Matters

65 : ANDREW GREGORY - DIRECTOR, PLANNING, TRANSPORT AND ENVIRONMENT - COASTAL RISK MANAGEMENT PROGRAMME

The Chairperson welcomed Andrew Gregory, Director; Matthew Wakelam, Assistant Director, Gary Brown and further lead officers to deliver a report and presentation on the Coastal Defence Scheme. Members were advised that the scheme covers the coastline along Rover Way, which is currently defended by a combination of rock gabions, earth embankments and sheet pile walls. Members were reminded that in Quarter 3 2017/18, the Corporate Risk Register included coastal erosion as a distinct corporate risk.

The Council is developing its Coastal Defence Scheme for the areas it is responsible for as landowner.

Members were advised that Coastal defence assessments undertaken in 2009 and 2013 identified that coastal defence assets were in poor condition, and a need for detailed assessment and design of defences was required. The Outline Business Case for the Coastal Risk Management Programme was presented to Cabinet on 15 March 2018 and the covering report was provided to Audit Committee for information.

The Chairperson invited the Committee to comment, seek clarification and raise questions on the information received. Those discussions are summarised as follows:

- Members were advised that the timescale for the Coastal Management Project is longer than originally planned. The Full Business Case is to be

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completed within 1 year, and the construction phase is to be completed by 2024. It was explained that the project is dependent on detailed design, which is essential to ensure a viable and effective scheme.

- Members asked for clarification as to how incident plans are tested, and were advised that discussions have been held with colleagues in Emergency Management. It was explained that the scale of the worst-case scenario would be unprecedented, requiring a multi-agency response, and a UK-wide impact, moving beyond local Gold Command arrangements to National emergency management measures.
- The Committee recommended the Director reviews the resilience of local incident management plans, develops plans for a flood event arising from the coastal erosion corporate risk and develops an engagement strategy for those most at risk.
- Members were advised that a public consultation was not undertaken in developing the Outline Business Case, but that consultation will take place in respect of the Full Business Case. It was noted that an earlier flood defence scheme resulted in significant 'push back' from the local community, so it is important that communication is effective.
- Members asked if the plans to develop land to the east of the City would lead to flood defences being extended further east along the coastline. Officers stated that this would be the responsibility of Natural Resources Wales.
- Responding to a Member query, officers confirmed that the flood defence scheme would not impact on any potential tidal lagoon development, and they advised that once the project is completed a comprehensive monitoring and maintenance programme will be put in place.

RESOLVED – That:

- (1) The report be noted;
- (2) The Committee recommended that the Director of Planning, Transport and Environment:
  - Review the resilience of local incident management plans, and develop specific plans for a flood event arising from the coastal erosion corporate risk;
  - Develop an engagement strategy to communicate to those most at risk;
  - Report progress to a future Audit Committee meeting.

66 : CLAIRE MARCHANT, DIRECTOR OF SOCIAL SERVICES - UPDATE ON INTERNAL CONTROL ENVIRONMENT

The Chairperson welcomed Claire Marchant, Director of Social Services to the meeting, who provided an update on governance and control within the Social Services Directorate and the directorate's response to Internal Audit recommendations. The Chairperson invited comments and questions from the Committee. Those discussions are summarised as follows:

- Members asked whether the Director considered that the repeated failure to address budget overspends should be identified as a risk. The Director advised that the financial risk associated with increased demand within Childrens Services is already identified as a corporate risk. She advised that strategies are being implemented to meet the increased demand through the most cost-effective means.
- The Director stated that the Month 6 position – a £4.3 million overspend – has been maintained at Month 9. Demand for services is still increasing and the Director has worked with the Section 151 Officer to identify risks in the 2019/20 budget. The Director was unable to guarantee that there would be no overspend in 2019/20 but she could offer the Committee assurance that a range of policies, strategies and actions are in place to achieve the best outcomes for a balanced budget.
- Members asked whether the Director has identified trends in terms of spend. The Committee was advised that overspends are being driven by a reliance on agency workers and a range of actions to reduce this reliance are being implemented. The remainder of the overspend was explained as relating to meeting children's needs, for which a number of actions to reduce reliance on residential care are in place. Members were advised that there has been an increase of nine residential placements this year costing approximately £200,000 per annum each.
- Members asked whether anything could be done to provide more detail in monitoring reports that would help identify where overspends are occurring. The Corporate Director indicated that she would be happy to bring a report on this issue to a future meeting. The Committee requested that a breakdown of Social Services overspends for the last three years and their reasons be provided.
- Members asked whether the Director has regular engagement with the Welsh Government, particularly in terms of any additional responsibilities being imposed. The Director stated that there is regular engagement through the Ministerial Advisory Group via a number of workstreams and with colleagues across Wales. The Integrated Health Fund has benefited regions. For example, funding from the Integrated Health Fund has been used successfully in Adult Services to 'pump prime' early intervention.
- The Director was asked to confirm whether Welsh Government strategies are fully funded. The Director stated that Welsh Government strategies are subject to a resource impact assessment.
- Referring to the Directorate's Senior Management Assurance Statement (SMAS), Members noted that no responses were of 'embedded' delivery status. Members asked the likely timescale needed to achieve embedded

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status. The Director stated that some issues are very close to being embedded, for example, performance reviews. It was anticipated that many of the 'strong applications' will be 'embedded' in the next review.

- A Member noted that Liverpool Council has invested £8 million recruiting 160 social workers and are implementing the 'Signs of Safety' regime. Members asked whether this was likely to impact upon recruitment, particularly if other Councils also move to the 'Signs of Safety' model. The Director stated that this was a fundamental concern for the service. The Directorate has received additional investment in its workforce. However, the service is still carrying a 30% vacancy level, a significant proportion of which are new posts. Some local authorities pay higher salaries and therefore remuneration and motivation needs to be reviewed. The authority does provide support to its own workforce to achieve social services qualifications.
- The Director was asked what assurance could be given that the service contributes to long-term strategic planning in City. The Director stated that in partnership with the Housing and Communities Directorate it works with a range of partners in terms of long-term strategic planning.

RESOLVED – That:

- (1) The report be noted;
- (2) The Director of Social Services, advised by the Corporate Director Resources, to provide a breakdown of Social Services overspends for the last three years and their reasons.

Finance

## 67 : FINANCE UPDATE INCLUDING RESILIENCE ISSUES

The Corporate Director Resources presented the financial update report and reminded Members that the Month 6 monitoring report was discussed in the Audit Committee meeting on 13 November 2018. Members were advised that the Month 9 monitoring position will be reported to Cabinet on 21 February 2019, circulated upon publication, and reported to Audit Committee at its meeting of 2 April 2019.

Members were advised of the work being undertaken in preparation for the 2019/20 budget. Public consultation on the budget proposals took place between November and December 2018 and the Cabinet is considering the outcomes of the consultation exercise. In terms of the final settlement from Welsh Government, Cardiff has received a 0.9% cash increase when compared with 2018/19.

The Corporate Director Resources advised that Cardiff's 0.9% (£2.2 million additional grant funding) increase appears to be an improvement on the provision settlement. However, the authority is slightly worse off because of two main reasons. Firstly, the final settlement includes £0.6million in respect of new responsibility and secondly, the settlement includes a technical adjustment in respect of the 2019/20 Council Tax Base. Members were advised that the final budget proposals will be presented to Cabinet on 21 February 2019 and for approval by Council on 28 February 2019. The



budget report will be circulated to Audit Committee members when it has been finalised.

A Member noted that £1.1 million was set aside in the Financial Resilience Mechanism to cover Minority Ethnic Achievement, but that the grant funding was ultimately provided by Welsh Government. The Corporate Director Resources advised that the sum has been used to help balance the overall revenue budget.

RESOLVED – That the Committee noted the financial information provided and the process being adopted in respect of budget preparation for 2019/20 and the medium term.

#### Governance and Risk Management

#### 68 : AUDIT COMMITTEE ANNUAL REPORT DISCUSSION 2018-19

The Audit Manager provided a covering report on the Audit Committee activities, findings, observations and initiatives, as interpreted from a desktop review of the Audit Committee Agenda, Work Programme and Minutes. The purpose of this exercise was to enable the Audit Committee to consider the indicative summary of its work at this point in time for development within the Draft Audit Committee Annual Report 2018/19 as the year progresses.

No substantive comments were raised on the findings included in the covering report. The Chairperson invited Members to comment on the Annual Report informally outside of the meeting, and advised that the Annual Report will cross-reference the Committee's self-assessment returns. Members were advised that the Annual Report is to be approved in the Audit Committee Meeting in June 2019.

RESOLVED – That the report be noted.

#### 69 : SENIOR MANAGEMENT ASSURANCE STATEMENT AND AGS ACTION PLAN 2018-19 (MID-YEAR)

The Committee received a report providing details of the mid-year review of all Senior Management Assurance Statement (SMAS) returns undertaken by the Senior Management Team (SMT). The Operational Manager Governance and Risk presented the report.

Members were advised that all SMAS returns are subject to challenge, review and approval by SMT. A mid-year review was undertaken by SMT at its meeting on 31 October 2018. The overall position at mid-year and the progress against the action plan were appended to the report.

The Chairperson invited comments from the Committee.

- A member asked if a self-assessment had a robust challenge, and was advised that SMT are responsible for collectively challenging their SMAS assessments. The Operational Manager indicated that across directorates, performance lead officers do challenge responses.
- Members asked how often assurance categories were reviewed and what priority is given to Value For Money (VFM). The operational Manager

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advised that the assurance categories are in alignment with the CIPFA framework, and that value for money cuts through a number of measures. A Member advised that the Committee will be giving greater focus to its value for money assurance role going forward.

- A Member asked if there was a policy to mitigate the risk transferring back to the Council in terms of outsourcing and transfer of services and assets. The Head of Finance advised that directorates consider all risks and business continuity plans. The point of business continuity plans for services currently contracted out will be raised with the appropriate directorates.

RESOLVED – That the report be noted.

Wales Audit Office

70 : WAO ACTIVITY/REPORT PROGRESS UPDATE

Phil Pugh of Wales Audit Office provided an update on the performance audit work of WAO.

RESOLVED – That the report be noted.

71 : WAO TRACKER/OTHER STUDIES

The Audit Manager advised that there have been no direct reports to draw attention to which relate to Cardiff. However, Members were reminded that they have recently been provided with a briefing paper as a 'health check' of Cardiff's Audit Committee effectiveness, in consideration of the findings and recommendations of a Wales Audit Office report of Carmarthenshire Council.

The Audit Manager also advised of a Wales Audit Office report on Internal Audit in Community and Town Councils. Whilst the Council's Internal Audit Team has more stringent standards and requirements than those subject to the audit, the Audit Manager has considered and reflected on the findings of the report.

Treasury Management

72 : PERFORMANCE REPORT

The Committee received the Treasury Management Performance Report providing position statements on investments and borrowing at 31 December 2018. The Committee was advised that additional long-term borrowing of £10.2 million was taken.

In response to a question raised at the previous meeting, Members were asked to note that, since the last Committee meeting whilst the Council has not received any such approaches to repay and cancel LOBO loans, the Operational Manager has made enquiries as to whether its loans providers would consider early repayment. The loan providers were not willing to consider this without the payment of a significant premium.

RESOLVED – That the report be noted.

## 73 : DRAFT STRATEGY 2019-20

The Committee received the Draft Treasury Management Strategy 2019/20, presented by the Operational Manager - Capital, Corporate & Treasury. Members were advised that the strategy has been produced based on the CIPFA Code of Practice and will form part of the 2019/20 budget report.

Members were asked to note the main points of the strategy, which were set out in the report. The Chairperson invited comments on the strategy.

- Members asked whether the strategy was subject to external/internal audit and review. The Operational Manager confirmed that there is a transactional external audit review, and that there is an annual review of the Treasury function by Internal Audit. The Chairperson advised that the Committee have identified an increased need for awareness of the Treasury Management function as a training development requirement, which will be taken forward.
- A Member asked whether the authority is considering transferring to more liquid forms of investment. The Operational Manager stated that in terms of liquidating assets the authority must ensure that surplus assets are reviewed with a view to linking to regeneration and reinvestment. The Property Strategy aims to achieve a 5% yield on investments – assets can be disposed of in order to generate cash – but the yield would be lost.
- The Chairperson requested that the Committee receive a briefing on the internal and external arrangements in place for Treasury Management.

RESOLVED – That:

- (1) The report be noted;
- (2) Audit Committee receive a briefing on the internal and external audit arrangements in place for Treasury Management

## Internal Audit

### 74 : AUDIT TEAM PROGRESS UPDATE 2018-19

The Committee received a report providing an update on the work of Internal Audit as at 31 December 2018. The Audit Manager provided an outline of the audit delivery and the audit findings and recommendations relating the reporting period.

The Audit Committee was advised that following a dip in performance in quarter two, there has been an increase in all reported performance measures in quarter three. The Audit Manager advised that momentum for delivery needs to continue throughout quarter four to achieve the challenging performance standards set.

The Committee received an executive summary of the audit of 'Income in School Kitchens' and a briefing paper on the Waste Management assurance and consultancy Internal Audit work recently carried out.

The Committee asked whether work was being done to reinforce the quality of management within Waste Service, and address the need for an ongoing audit presence in Waste Management. The Audit Manager advised that the Chief Executive has requested that there is a continued and strong audit presence in Waste Management, and drew attention to the audits ongoing and planned within Waste in quarter four 2018/19. Audit Committee was advised that on a risk-basis a number of Waste Management audits will be programmed for the financial year 2019/20.

Referring to the audit of the Education Catering Service, Members asked to be provided with the proportion of total income that related to cash.

RESOLVED – That:

- (1) The report be noted;
- (2) The Audit Manager inform Audit Committee of the proportion of the Education Catering Service income received through cash, and cashless routes.

#### 75 : INVESTIGATION TEAM PROGRESS UPDATE 2018-19

The Investigation Team Progress report 2018/19 as at 31 December 2018 was presented.

The Audit Manager advised that a number of internal investigations, which are taking up a large part of the Investigation Team's resource, are due to conclude during the current quarter. The Audit Manager advised that the Director of Planning Transport and Environment is due to attend the Audit Committee meeting on 2 April 2019, to provide an update on the investigation to the Audit Committee.

RESOLVED – That the report be noted.

#### 76 : DRAFT AUDIT CHARTER AND DRAFT AUDIT PLAN 2019-20

The Committee received the Draft Internal Audit Charter 2019/20 and the Draft Audit Plan 2019/20 for comment, ahead of the final documents, which are due for consideration by the Audit Committee on 2 April 2019.

Members were also asked to note the proposed amendment to the Terms of Reference for the Audit Committee, which now includes a Statement of Purpose as recommended by CIPFA.

RESOLVED – That the report be noted.

#### 77 : EXCLUSION OF THE PUBLIC

RESOLVED : That the public be excluded during the discussion of the following item of business on the grounds that, if members of the public were present during the discussion, because of the nature of the business to be transacted there would be disclosure to them of exempt information as defined in Part 4 of Schedule 12A of the Local Government Act 1972 and as described below:

Paragraph 14 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).

#### 78 : SCRUTINY CORRESPONDENCE (SCRUTINY COMMITTEE ACTIVITY)

The Committee considered received correspondence from the Chairperson of the Policy Review and Audit Scrutiny Committee.

#### 79 : OUTSTANDING ACTIONS

The outstanding actions were noted.

#### 80 : WORK PROGRAMME UPDATE

The Work Programme was discussed. Through this discussion, the Chair explained that the Head of Democratic Services has advised that whilst there is limited budget for webcasting Committee meetings, it may be possible to Webcast an Audit Committee meeting in the next municipal year.

RESOLVED – That in the event of there being an opportunity to webcast that Audit Committee identifies which meeting in the calendar should be prioritised for webcasting on a public interest basis.

#### 81 : URGENT ITEMS (IF ANY)

The Committee received a briefing paper, which had been prepared to show if, and how, Welsh and Core UK City Local Authority Audit Committees have considered Brexit risks. The Committee used this research to consider the actions to take forward in respect of Brexit risk management.

The Committee was also asked to note that 'Brexit' has been escalated as a Corporate Risk in quarter three 2018/19, for approval by the Senior Management Team (SMT) in February 2019 and inclusion on the Corporate Risk Register. The Committee was advised that they will be provided with the populated Corporate Risk once approved by SMT, and thereafter, will consider the risk as part of the quarterly risk management agenda item.

The Chair proposed that:

- He will write to the Chairperson of the Policy, Review and Performance (PRAP) Scrutiny Committee, to request further information and assurances, on the delivery of a Cardiff Public Services Board (PSB) Cabinet Report action from October 2018, for work to continue through the PSB to monitor and respond to any potential impact on public.
- The Chief Executive is invited to attend a future Audit Committee meeting to discuss planning and preparation for Brexit as part of a wider report, to be proposed by the Audit Manager.
- The Internal Audit of Risk Management includes an objective on the planning and preparation for Brexit.

RESOLVED – That

- (1) The Audit Committee Chairperson to request written assurances from the Chairperson of the Policy Review & Performance Scrutiny Committee, on activities of the Public Services Board to manage the potential impact of Brexit.
- (2) The Chief Executive to attend a future Audit Committee meeting to discuss planning and preparation for Brexit as part of a wider report. Audit Manager to propose the focus of the wider report.
- (3) The internal audit of Risk Management in Q4, 2018/19, to include an objective on Brexit planning and preparation.

82 : DATE OF NEXT MEETING - 2 APRIL 2019

The next meeting of the Committee is to take place on 2 April 2019.

The meeting terminated at 4.30 pm

**AUDIT COMMITTEE: 2 APRIL 2019**

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**UPDATE ON THE COUNCIL'S CONTROL ENVIRONMENT****REPORT OF CHIEF EXECUTIVE****AGENDA ITEM: 5.1**

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**Reason for this Report**

1. This report provides the view of the Chief Executive on the Council's Control environment.
2. The Audit Committee Terms of Reference requires the Audit Committee to:
  - Consider the Council's framework of assurance and ensure that it adequately addresses the risk and priorities of the Council.
  - Monitor the effective development and operation of risk management in the Council.
  - Monitor progress in addressing risk-related issues reported to the committee.
  - Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

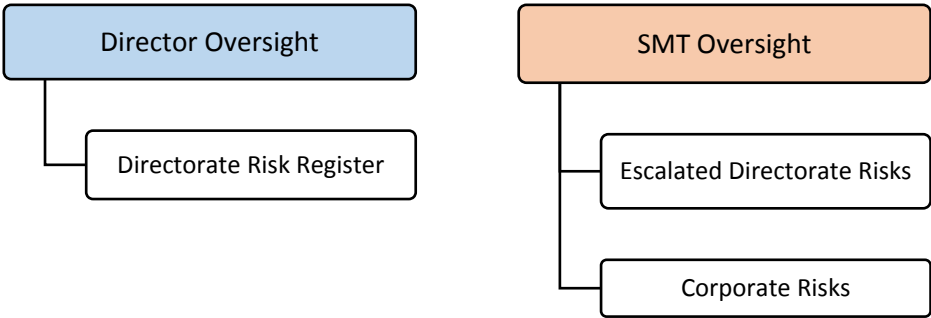
**Background**

3. The Audit Committee requests an annual attendance from the Chief Executive, as part of its approach to receiving assurance from members of senior management team. The Chief Executive last attended Audit Committee on 26 June 2018.

**Issues****(a) Risk Management**

4. The Council's Capital Ambition involves the coordination of a wide range of diverse functions and programmes of work. Delivering our objectives requires the management of a wide range of risks on a daily basis at both operational and strategic levels. We have a progressive risk management approach, which focuses on identifying the key risks to our delivery, in order to develop and implement actions to achieve targeted risk levels.
5. Our approach to risk management ensures that Senior Managers are supported to identify and report risks at the right level in a timely manner. Officer risk champions and operational managers support each director in formally identifying and reviewing their operational and strategic risks on a quarterly basis, and are on hand for ongoing advice, guidance and support.
6. To report new and emerging risks, we have a process of risk escalation through which our directors communicate significant risks to SMT to raise collective awareness and support.

Whilst directors are accountable for deciding which risks they escalate to SMT, as a minimum requirement all ‘red’ residual risks are escalated each quarter.



- 7. The corporate risk register is formally reviewed and updated on a quarterly basis to ensure that it is a current reflection of the primary risks to our objectives. Management of the Council’s most critical risks is prioritised, with particular attention paid to red residual risks, and any increase in residual risk.
- 8. Target risk ratings have been developed for ‘red’ residual corporate risks, and challenging, but achievable, timescales for reducing these risks have been set. Of twelve such risks at the end of Q3 2018/19, target residual risk levels have been identified for nine risks as follows.

**Red Risk Targets – Corporate Risk Register Quarter 3 2018/19.**

No.	Risk	Risk Rating		Target Date
		Current	Target	
1	Coastal Erosion	B1	C1	Q4 2021/22
2	Air Quality	B1	C3	Q1 2021/22
3	Schools Delegated Budgets	B2	B3	Q1 2019/20
4	Brexit	B2	B3	Q3 2019/20
5	Waste Management	B2	C2	Target date to be set following conclusion of internal investigation and landfill tax liability analysis
6	Financial Resilience	B2	C2	Q4 2018/19
7	Budget Monitoring - Control	B2	C2	Q4 2018/19
8	Statutory Building Maintenance	B2	D3	Q4 2018/19
9	ICT Platforms Unsuitable / Outdated	B2	D3	Risk subject to change in line with regular review cycle.

- 9. It is not currently possible to target overall risk reductions for the three remaining corporate risks. This is because of external factors, which have presented uncertainty and limited levels of actual control.

**a. City security**

The current focus is on making targeted incremental improvements through investment in the City infrastructure. The Council is actively engaged in partnership working to prevent, protect and prepare for a major security-related incident, but this is against the backdrop of the UK threat level of ‘severe’.

**b. Welfare reform**



As Universal Credit has been rolled out, there has been considerable impact on our citizens and the Council will continue to work with partners to mitigate the effects going forward. The roll out across Cardiff and the impact being seen mean that it is not currently possible to identify and progress formal risk reduction targets.

**c. Increase in Demand (Children's Services)**

A number of new strategies and projects are in the process of being rolled out alongside a continued focus on improving the recruitment and retention of children's social workers. Until these strategies have been fully implemented and embedded, and outcomes evaluated, it remains difficult to identify and progress formal risk reduction targets.

10. I am aware that Audit Committee has expressed specific assurances on the management of risk in respect of Brexit and the budget overspends.

Brexit

11. Audit Committee has been advised that Brexit was formally recognised in the Corporate Risk Register from Quarter 3. Members will be aware that a number of activities are underway to manage the risk of Brexit, having requested information from the Leader of the Council, and received the Corporate Risk Register entry in early March, following approval by the Senior Management Team. The Corporate Risk focusses on the potential for Brexit (and any subsequent decisions) to create severe disruption to the city and hinder its ability to continue to deliver effective services and maintain community cohesion. This risk will be regularly monitored and tested against business continuity plans and any directorate-specific risks that are identified.
12. A number of controls are already in place to manage the impact of Brexit, including a review of business continuity plans and regular contact with WLGA, Welsh Government, respective public partners and suppliers.
13. A review of existing business continuity planning arrangements in respect of known Brexit risks has taken place over recent weeks. On 26 February 2019, each directorate was tasked with reviewing their arrangements in respect of known Brexit risks to ensure the resilient delivery of public services, particularly in relation to reviewing risks and arranging for appropriate mitigations to be put in place, focused especially on supplier and supply chain risks.
14. Each directorate was instructed to engage with supply chains regarding resilience issues and to provide an assurance statement to the Emergency Management Unit (EMU) in March 2019 to confirm that any significant Brexit risks have been identified and that appropriate mitigation was in place. For example, identified risks that are being addressed include: school meals, meals on wheels, fuel supply, social care, waste issues and the nature of products imported through Cardiff Port. This information was then reported subsequently to a meeting of the Brexit Response Group (BRG) on 21 March 2019 and SMT on 26 March 2019. As the outcome of Brexit becomes clearer, priority areas will become the main focus of attention, with further work undertaken to identify longer-term implications on areas such as workforce planning.
15. The Council's Emergency Management Unit (EMU) is fully briefed on the national Command, Control and Communication infrastructure and aware of expectations. Local intelligence is reported into the Local Resilience Forum (LRF), with information collated and reported to Regional and Central Government. The EMU is fully engaged with these arrangements and is working with national and regional leads from the Welsh Government

and Emergency Services to manage communications on negative activity linked to a 'No Deal' Brexit through the Civil Contingencies Command and Control structures.

16. The EMU will be collating Daily Reports, which will be provided to the LRF as the central point of contact. Lead officers on Brexit matters have been identified within each directorate to collate information that will be reported to the Council's Gold Command (the Emergency Response Structure). Each directorate will ensure that the Daily Directorate Report for their area is completed and emailed to the EMU, with any issues marked with the appropriate Black, Red, Amber, Green, White (BRAGW) rating.
17. To ensure that a co-ordinated approach to responding to Brexit is taken across the city's public services, the Leader of the Council called an Extraordinary Meeting of the Cardiff Public Services Board (PSB) on 17 January 2019. Representatives from each PSB member organisation to provide an update on the risks associated with a 'No Deal' Brexit from their perspective and the mitigating actions that were being taken forward. Given the ongoing lack of clarity on the detail and timescale for decision points of the UK Government's negotiations with the EU, it was agreed that a programme of diarised meetings would not be productive. Instead, it was agreed that the Leader, as Chair, will call a meeting as and when the national debate develops in a way that provides greater clarity on the nature and terms of Brexit and how public services in Cardiff should best respond.
18. An operational Brexit Response Group (BRG) was also established in January 2019, chaired by the Chief Executive of the Council. The core membership includes senior managers responsible for social services, transport, regulatory services, economic development, emergency management, community cohesion and communications. Meetings are held on a fortnightly basis with representation from PSB partners as required. The Chief Executive of the Council also represents the Capital Region on the Welsh Government / Local Government [EU] Preparedness Advisory Panel Meeting. This ensures that the Council is linked into the national response and that the Welsh Government are alerted to any local issues arising from Brexit.

### Budget Monitoring Controls

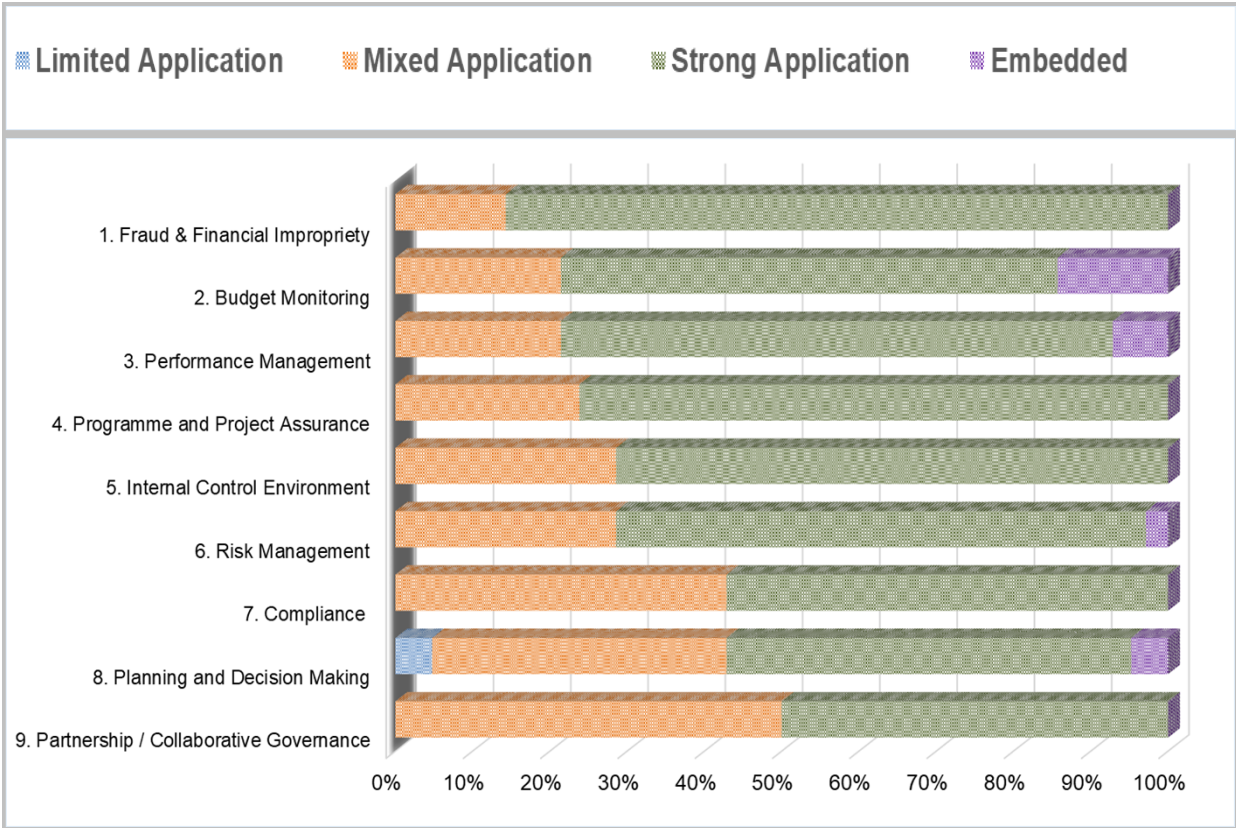
19. The Council's monitoring approach is robust and includes challenge sessions to provide assurance on the in-year financial monitoring position, through which the actual and projected overspends are reported to SMT for review and mitigation. Cabinet portfolio holders are also kept informed of the monitoring position on a regular basis.
20. The overall council position continues to be projected to be balanced for 2018/19. However, the monitoring report continues to identify an overspend of £4.9 million across directorates with the significant over spends being in Social Services (£3.23 million), Planning, Transport & Environment (£1.049 million), Education & Lifelong Learning (£0.768 million) and Corporate Management (£0.489 million) respectively. As mitigation, the 2018/19 budget provided for a £3.0 million general contingency budget in order to reflect the size, risk and planning status of the proposed savings. Further mitigation has shown itself through collecting more Council Tax and identifying underspends in areas such as Capital financing and Transitional Grant Relief.
21. I am aware that the Audit Committee has shown a significant interest in respect to the budget monitoring performance of Social Services. In preparing for future budget allocations my Senior management team considers the impact the 2018/19 budget monitoring performance will have on future years budget. An example of this is where the contingency budget for children's services has been increased by £1.05 million to £2 million

in recognition of the difficulties faced in accurately predicting the potential numbers of looked after children.

**(b) Senior Management Assurance Statement (SMAS)**

- 22. The senior management assurance process provides a strong internal challenge for us to continue to identify and target improvements in key areas of governance. The current process of assessing the maturity of our governance has been in place for 2 years, and the approach has continued to be strengthened during the last 12 months. The level of conversation, challenge and focus on improvement from SMT has continued to be positive.
- 23. Each director has worked with their management teams to assess their mid-year directorate position, before submitting their returns for discussion in SMT. The SMT review is attended by the Head of Finance and the Audit Manager who are available to provide independent insight when we consider the overall position.
- 24. The year-end SMAS returns will be collected during April and May 2019, with a detailed discussion and review leading to the overall assurance statement at SMT prior to the June Audit Committee. The output from this discussion will be, the overall assurance statement for the annual governance statement (AGS) and the Action Plan of significant governance issues to sit alongside the Statement of Accounts.

**SMAS Analysis - 2018/19 (mid-year)**



- 25. During 2018/19, there has been a shift in focus to increase the supporting detail that underpins the assessment of maturity. This has led to a greater awareness of the key

issues and a reduction in some of the assessment areas and, consequently, some rankings have changed since the end of last year.

26. The impetus remains that all assurance categories should move towards being at a level of 'strong' or 'embedded'. This position will be tested at the year-end assessment and feed into the Annual Governance Statement (AGS)
27. On review of the seven SMAS returns relating to 2017/18, SMT decided to retain the five governance issues for the ongoing AGS Action Plan for 2018/19. This decision was made as these issues continued to represent the key areas for development and ongoing monitoring. The following areas have continued to be monitored during the year and progress will also feed into the Annual Governance Statement (AGS):
  1. Capacity and Decision Making
  2. Commissioning Capability and Capacity
  3. Relevant Costs and Decision Making
  4. Partnership / Collaborative Governance
  5. Robust and Sustainable Savings
28. At the end of the year, SMT will review whether to retain these as significant governance issues or whether there are other areas that require enhanced monitoring during 2019/20
29. The independent governance reviews from the internal audit team provide a secondary level of challenge and assurance on good governance, which supports senior management in affirming where we are working well, and where we need to develop.

### **(c) Internal Audit Assurance**

30. Audit Committee approves the plan of audits each year, following its development by the Chief Audit Executive in engagement with the Senior Management Team. The Council requires comprehensive audit assurance, for which the appointment of a permanent Audit Manager (Chief Audit Executive) in October 2018 provides a sustainable footing. I meet with the Chief Audit Executive on a regular basis where I receive a summary of the work being undertaken by audit and act as a point of escalation where needed.
31. It is positive that Directors meet with their audit relationship manager on a regular basis to receive audit reports, ensure recommendations are promptly acted upon, and to consider areas of risk in the development of future audit plans. The information I receive provides me with a level of independent assurance that I use in conjunction with the SMAS returns and the Corporate Risk updates.
32. I have asked the Chief Audit Executive to sustain an increased level of audit activity and presence in respect of Waste Management, to achieve the assurance required on the control environment in this area. I note that some schools have provided unsatisfactory audit opinions this year, for which the Director of Education and Lifelong Learning is leading the oversight of improvements, where required. I am aware that the Audit Committee has requested 6-monthly reporting from the Director on school governance assurance to monitor delivery.
33. The need for prompt action on recommendations is a high priority and the improving visible performance across the Council in implementation in this area is positive. However, I recognise that the need to continue to provide assurance on key controls is of paramount importance at a time where the financial and demand pressures facing services is

increasing. I encourage Directors to have a close relationship with the Internal Audit team, and in all areas, there is clear evidence of an effective two-way communication between them.

### **Legal Implications**

34. The statutory functions of the Audit Committee include the duty to review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements (pursuant to Part 6 Chapter 2 of the Local Government (Wales) Measure 2011). In discharging its functions, the Audit Committee must have regard to all relevant guidance, in particular the CIPFA guidance for Audit Committees.

### **Financial Implications**

35. The financial implications (if any) arising from this report have been contained within the body of the report.

### **RECOMMENDATIONS**

36. That the Committee considers and notes the contents of the report.

**Paul Orders**  
**Chief Executive**  
2 April 2019

Mae'r dudalen hon yn wag yn fwriadol

**AUDIT COMMITTEE: 2<sup>nd</sup> April 2019**

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**WASTE MANAGEMENT UPDATE**

**REPORT OF DIRECTOR PLANNING, TRANSPORT & ENVIRONMENT  
AGENDA ITEM: 5.2**

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**Reason for this Report**

1. This report has been produced in response to the Audit Committee's request for an update on the control environment within the Waste Management function.
2. The Audit Committee has requested this update in respect of its role to:
  - Monitor progress in addressing risk-related issues reported to the committee.
  - Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
  - Review the assessment of fraud risks and potential harm to the council from fraud and corruption.

**Background**

3. Following concerns raised in respect of the operation of Council facilities within Waste, Internal Audit reported potential criminal activity to South Wales Police. Whilst the investigation is ongoing, it would not be appropriate to disclose any specific details of the alleged crime. Internal Audit continue to liaise with the Police and provide information and evidence as required.
4. 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. In accordance with the Council's Disciplinary Policy, Internal Audit led a number of Disciplinary Investigations, which were concluded during quarter 4 of this year, from which recommended actions are being taken forward.
5. Recognising the limited level of information that can be provided to the Audit Committee on the above investigations, the focus of this update is on management assurances on the operation of good governance, internal controls and the management of risk within the Waste Management service.
6. Cardiff Council's Waste Management function has responsibility for a wide and complex range of statutory duties, functions and services, essentially this involves "bringing together place-based services to ensure that Cardiff is able to achieve its Capital City Ambition and to be among the very best in the UK and Europe" to ensure;
  - The streets/highway are clean, well maintained and managed
  - Waste services meet targets for recycling
  - Improved management of productivity, and customer service levels

- New development is of a high quality
- Ensuring value for money, efficient service delivery
- Delivering a range of high profile projects

7. The Waste Management Function is concerned with managing risk at the level of strategy development, operational delivery, and the quality of services to citizens, businesses and visitors to Cardiff. The Waste function currently employs circa 500 staff. The Directorate's Strategic Priorities (SDPs) provide an example of headline actions being delivered by the Waste function during 2018/19 and over the longer term, illustrating the scale and variety of activities provided.

SDP1 - Transforming and improving services:

- Explore and develop a commercial and collaboration strategy for key services

SDP4 - To join up frontline street scene services

- Develop options for long-term regional partnership recycling infrastructure arrangements
- Develop a 'Total Street' delivery Plan
- Achieve Welsh Government recycling targets

## **Issues**

8. The Management Team requires strong assurances on the controls in place across the Waste Management Service to effectively manage and govern our services. Once the matters outlined in the background to this report emerged, the management team within the service has worked to gain confidence on the operation of internal controls across the Directorate. Management assurances are supported by the assurances, and also the advice and guidance from Internal Audit through their independent reviews.
9. The Waste Management Team are developing a robust internal process for managing, monitoring and controlling risks, which are set out below. This process is being developed alongside the Directorate planning and review process.

### **Directorate Planning & Review process**

- Directorate Delivery Plan
- Risk Registers
- Quarterly Performance Reviews
- Directorate Management Team & other supporting meetings
- Project database (CADT)

### **Waste Management internal review process**

10. The Waste Management internal review process is being developed to focus, on three primary areas, namely the management of risk, assurance in priority areas, and the delivery of a strong control environment. The components of each of these areas are set out below for the information of the Audit Committee.

#### **I. Risk Management**

11. There is a commitment to delivering strong risk management within the Waste Management Team, and the wider Planning Transport and Environment Directorate. To support and improve the identification and management of risk, the approach involves:



- Increased officer involvement – including working closely with Corporate support such as audit, procurement and finance
- Consideration of audit findings and recommendations in risk reviews
- Action Plan development – to deliver recommendations received (identifying timescales and officer responsibility)

## II. Assurance

12. The management team have a number of priority areas for which strong assurance is sought. Project plans are in place to improve confidence around

- Service efficiency and effectiveness (Fundamental Service Reviews)
- Data (Stores/Gatehouse/Bartec)
- Procedures and processes to meet the need of the service
- Asset Management
- Investment in change projects
- Physical Security
- Digitalisation

## III. Control Environment

13. To further improve the control environment the following actions are being prioritised:

- Improving financial monitoring and budgetary responsibility – strengthen budget holder and OM approval process but keeping bureaucracy to a minimum.
- External accreditations – requirement for waste management function to demonstrate sound environmental, health, safety and quality practices. BSI audit in place, currently working towards PAS 402.
- Implementation and monitoring of action plans relating to audits

### **Working with Internal Audit**

14. A number of Internal Audit engagements have been delivered in respect of Waste Management this year, some of which have been to provide advice, guidance and ongoing monitoring through consultation types of audit. Additionally we have received and responded to a number of internal audits of an assurance nature. The Audits concluded to date are included in the table below.

<b>Consultation Engagements</b>	<b>Assurance Engagements</b>
Commercial Waste Recycling Centre	Lamby Way Stores
Weighbridge system	Income and banking control procedures (Lamby Way)
	Acting up payments and overtime in Lamby Way

15. These reports have been reviewed by the Directorate and there is a commitment to proactively work on the audit findings and recommendations. Planning, Transport and Environment Management find the use of internal audits instrumental to supporting

improvements relating to poor working practices and lack of processes in service delivery. The management team have worked with the Internal Audit team to identify priorities and scope for internal audits.

#### Lamby Way Stores

16. Waste Services utilise SAP to manage stock and therefore have good software to support officers to manage stock levels and reconcile costs related to changes in the associated levels. The assurance engagement identifies shortfalls in processes relating to managing and reconciling stock. The senior management team accept and will implement the recommendations from the assurance audit.

#### Income and banking control procedures

17. Waste Services manage low levels of cash income at Lamby Way but recognise the importance of having processes in place to provide assurance. The reconciliation of stock relating to cash income is important to reduce the risk of fraud or maladministration. The senior management team accept and will implement the recommendations of the assurance audit.

#### Acting up payments and overtime payments

18. Waste Services operations has significant acting up and overtime payments. Ad-hoc acting up relates to roles where officers cover driving or use of machinery when people are on leave, sick or on break and therefore work at a payment grade different to their employed role. The senior management team accept and will implement the recommendations of the assurance audit and will work with Corporate Resources to agree processes relating to operational requirements.
19. The Directorate is fully committed to improve working practices related to current actions plans, and is fully engaged in audits, which are currently underway or are planned for completion.

#### Reports Concluding / Pending

20. At the time of reporting, a number of audits are reaching their conclusion, for which we will meet with audit colleagues to fully discuss the findings and any recommendations of draft reports. We will work with the Internal Audit Team to conclude the following audit work for 2018/19.

- Waste Management Contracts (expenditure and income)
- Gatehouse Assurance Review
- Stock Check Observations – Lamby Way Stores

21. We have a productive communication and engagement with Internal Audit colleagues to achieve planned audits in the areas where we need the greatest assurance or support. I am pleased that the Internal Audit Plan for 2019/20 will sustain a focus on areas of Waste Management within my Directorate.

22. The statutory functions of the Audit Committee include the duty to review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements (pursuant to Part 6 Chapter 2 of the Local Government (Wales) Measure 2011). In discharging its functions, the Audit Committee must have regard to all relevant guidance, in particular the CIPFA guidance for Audit Committees.

### **Financial Implications**

23. The financial implications (if any) arising from this report have been contained within the body of the report.

### **Recommendations**

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

**Andrew Gregory**  
**Director, Planning, Transport & Environment**  
**2<sup>nd</sup> April 2019**

Mae'r dudalen hon yn wag yn fwriadol

# CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD

**AUDIT COMMITTEE: 2 April 2019**

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## **FINANCIAL UPDATE 2018/19 and 2019/20**

### **REPORT OF THE CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 6.1**

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#### **Reason for this Report**

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

#### **Background**

2. To assist the committee in understanding the current financial context within which the Council is operating, this report sets out an overview of the current monitoring position for 2018/19 and provides a brief update on the 2019/20 Budget and the medium term outlook approved by Council on 28 February 2019 and the medium term.

#### **Issues**

##### **Financial Monitoring**

3. The Cabinet considered the Month Nine Monitoring Report on 21 February 2019. Overall, this report showed a balanced position for the Council which was in line with the position reported at month six. Directorate budgets were projected to be overspent by £4.9 million which was a slight improvement to the position reported in Month 6. The Directorate overspend is offset by projected savings on capital financing, an anticipated surplus on Council tax collection and NDR refunds on Council properties. In addition, use has been made of the £3.0 million general contingency budget which was provided as part of the 2018/19 budget in order to reflect the quantum, risk and planning status of the proposed savings.
4. The projected overspends in directorate budgets included £3.230 million in Social Services, £1.049 million in Planning, Transport & Environment, £768,000 in Education & Lifelong Learning, £489,000 in Corporate Management and £172,000 in Governance & Legal Services. The directorate positions reflect a range of factors including increased demographic pressures in Social Services, particularly in relation to looked after children, shortfalls in income and the anticipated failure to fully achieve the savings targets set as part of the 2018/19 Budget together with on-going shortfalls carried forward from the previous year.

5. An overall shortfall of £3.677 million was anticipated against the £14.296 million directorate savings target with £6.995 million having been achieved to date and a further £3.264 million anticipated to be achieved by the year end. The budget approved by Council on the 22 February 2018 identified red or red / amber achievability risks totalling £6.910 million with £1.434 million still at a general planning stage. A projected shortfall of £767,000 was also identified in relation to savings targets carried forward from 2017/18. Overall, this represents an increase of £647,000 compared to the shortfalls identified in relation to 2018/19 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 2018/18 is also available to offset the shortfall in the current financial year.
6. 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 and the Chief Executive has held a series of meetings with directors to identify measures to reduce the level of spend with the intention of improving the overall position as the year increases. As set out in previous month 6 monitoring report all directorates have identified a range of in-year savings which are reflected in their reported positions.
7. At month nine, the 2018/19 projected capital expenditure outturn was £150.980 million, of which £110.854 million was in respect of General Fund schemes and £40.126 million in relation to the Council's Public housing schemes. The projected outturn is a total variance of £19.537 million against a capital programme of £170.517 million. 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**

8. The 2019/20 Budget was approved by Council on 28 February 2019. The Budget aligns with the priorities in the Corporate Plan.
9. The Budget Report included four annexes namely, Directorate. Commentaries, Council's Medium Term Final Plan, Capital Strategy and Treasury Management Strategy.
10. In setting the 2019/20 Budget, which totals £623.589 million, an underlying budget reduction requirement of £32.438 million was addressed through the following measures:-

	<b>£000</b>
Schools Contribution to Meeting Pressures	3,586
Use of Earmarked Reserves	2,750
Savings	19,157
Council Tax at 4.9% (net)	6,745
<b>TOTAL</b>	<b>32,438</b>

11. The due diligence for the 2019/20 budget process took account of the risk in respect of the unachieved savings identified within the 2018/19 budget monitoring process. The 2019/20 Budget includes the write of £53,000 prior year savings based on the perceived risk associated with their future achievability. Directorate base budgets for 2019/20 reflect the consequential budget realignments.
12. The 2019/20 budget savings of £19.157 million were rated in terms of residual and achievability risk. Proposals rated red or red-amber totalled £8.101 million in terms of achievability risk, £7.494 million in terms of residual risk and £585,000 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 82% 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.
13. The final settlement for Cardiff set out a funding increase of 0.9%. After a technical adjustment in respect of the council tax base, this equates to additional cash of £2.2 million when compared to 2018/19. However, this sum is eroded to £1.6 million after taking account of a technical adjustment in respect to the Council Tax Base. The change in Council Tax Base results in an increased level of resources of £2.363 million.
14. 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 be reduced by £200,000 compared to 2018/19. Its use in 2019/20 will include £2.1 million to support visible street scene service, £1.180 million on transport initiatives and £520,000 on other services including homelessness. Full details of how the FRM will be spent in 2019/20 are available in the Budget Report.
15. There will be a net decrease of 54.86 full time equivalent (FTE) posts in connection with the 2019/20 Budget. This comprises 123.4 FTE deletions offset by the creation of 68.54 FTE posts.
16. The Medium Term Financial Plan (MTFP) for the financial years 2020/21 – 2023/24 as set out in the Budget Report shows a potential budget gap of £105 million over the four-year 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 2020/21 Budget to enable a Budget Strategy Report to be considered in July 2019. This will also provide an update to the MTFP for any known changes.

17. The Capital Programme for 2019/20 totals £146.556 million with a total five year spend of £843.240 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 2019/20 will be updated during the financial year for any additional approved grant funding towards capital schemes.
18. 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**

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

### **Legal Implications**

20. No direct legal implications arise from this report.

### **Financial Implications**

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

### **Recommendations**

22. To note the financial information provided in respect of the 2018/19 monitoring position and the outcome of the budget for 2019/20 and the medium term.

**CHRISTOPHER LEE**  
**CORPORATE DIRECTOR RESOURCES**  
**2 April 2019**

*The following appendices are attached:*

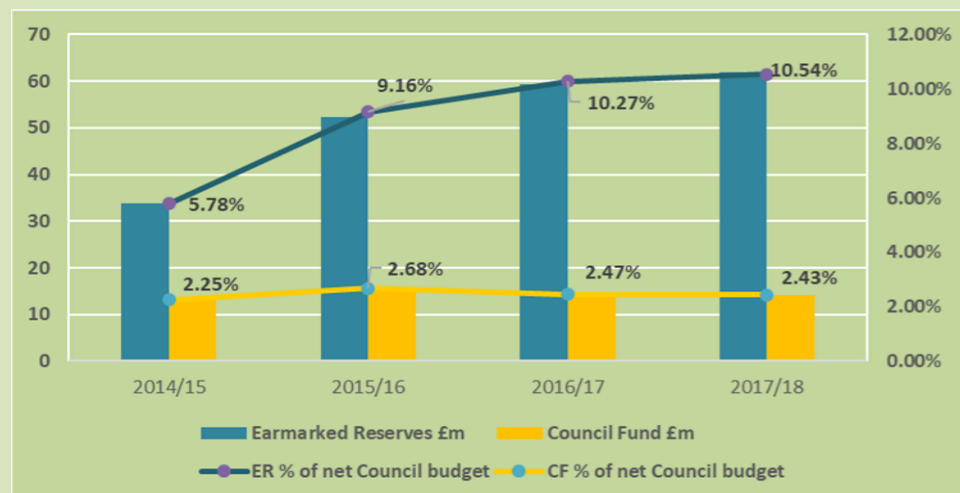
Appendix 1 – Financial Snapshot – Budget Report Version



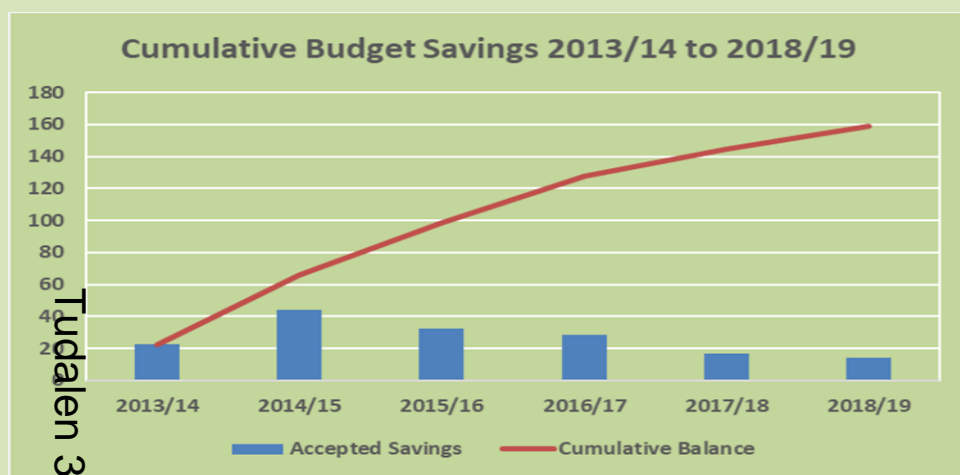
**FINANCIAL SNAPSHOT REPORT - BUDGET REPORT VERSION**

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

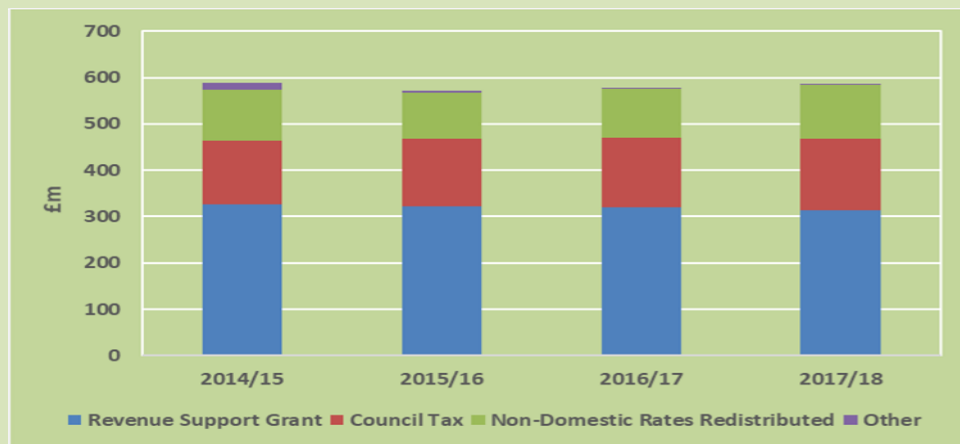
**Level of Council Fund (CF) and Earmarked Reserves (ER)**



**Cardiff Council Historic Cumulative Budget Savings**



**Actual Revenue Funding Split**



**Other Financial Indicators - Cardiff Council Single Entity Accounts**

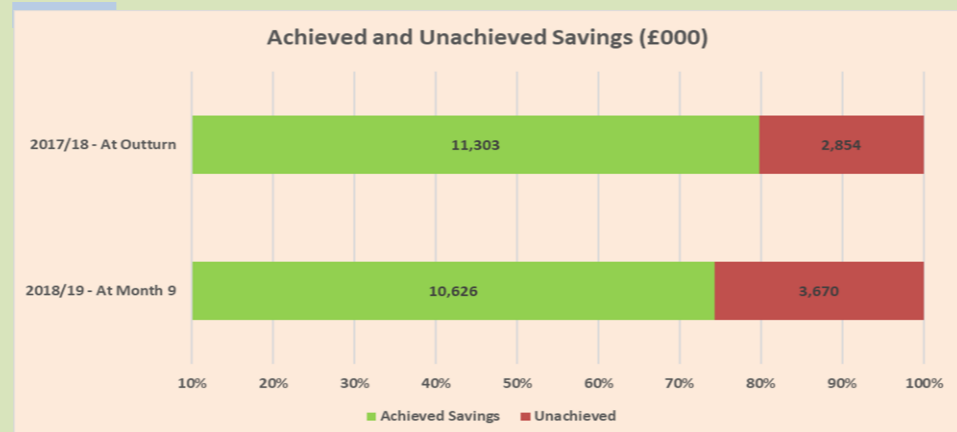
Indicator	2014/15	2015/16	2016/17	2017/18
Working Capital as a percentage of Gross Revenue Expenditure (%)	5.02%	6.02%	6.99%	8.69%
Usable Reserves as a percentage of Gross Revenue Expenditure (%)	7.01%	10.31%	11.46%	13.22%
Earmarked Reserves as a percentage of Gross Revenue Expenditure (%)	4.19%	6.63%	7.79%	7.85%
Unallocated/General Reserves to Gross Revenue Expenditure (days)	6	7	6	6
Long-term Borrowing to Long-term Assets (ratio)	0.24:1	0.35:1	0.35:1	0.36:1
Long-term Borrowing to Taxation & Aggregate External Finance	0.72:1	1.05:1	1.03:1	1.03:1
Council Tax as a % of Taxation & Non-Specific Grants (%)	25.64%	27.68%	27.85%	28.30%

The tables below show the Projected Outturn position for the 2018/19 financial year for both revenue and capital.

**Revenue Month 9 Projected Position**

Directorate	Net Expenditure Budget £000	Projected Outturn £000	Variance £000	Variance %
Corporate Management	25,075	25,564	489	2.0%
Economic Development	6,224	6,270	46	0.7%
Education & Lifelong Learning	255,166	255,934	768	0.3%
People & Communities:				
- Communities & Housing	44,144	43,635	(509)	(1.2%)
- Social Services	166,972	170,202	3,230	1.9%
Planning, Transport & Environment	44,166	45,215	1,049	2.4%
Resources:				
- Governance & Legal Services	5,374	5,546	172	3.2%
- Resources	20,358	19,992	(366)	(1.8%)
<b>Total Directorates</b>	<b>567,479</b>	<b>572,358</b>	<b>4,879</b>	<b>0.86%</b>
Capital Financing	35,236	34,956	(280)	(0.8%)
Discretionary Rate Relief	350	400	50	14.3%
General Contingency	3,000	0	(3,000)	(100.0%)
Summary Revenue Account	1,748	2,665	917	52.5%
Transitional Grant Relief	1,100	0	(1,100)	(100.0%)
Council Tax	0	(635)	(635)	0.0%
Non-Domestic Rates (NDR)	0	(831)	(831)	0.0%
<b>Total</b>	<b>608,913</b>	<b>608,913</b>	<b>0</b>	<b>0%</b>

**Revenue Savings Achieved and Unachieved 2017/18 and 2018/19**



Directorate	Unachieved Savings by Year		
	2017/18 £000	2018/19 £000	Total £000
Corporate Management	0	456	456
Economic Development	159	119	278
Education & Lifelong Learning	98	253	351
People & Communities	1,709	2,066	3,775
Planning, Transport & Environment	611	651	1,262
Resources	277	125	402
<b>Total</b>	<b>2,854</b>	<b>3,670</b>	<b>6,524</b>

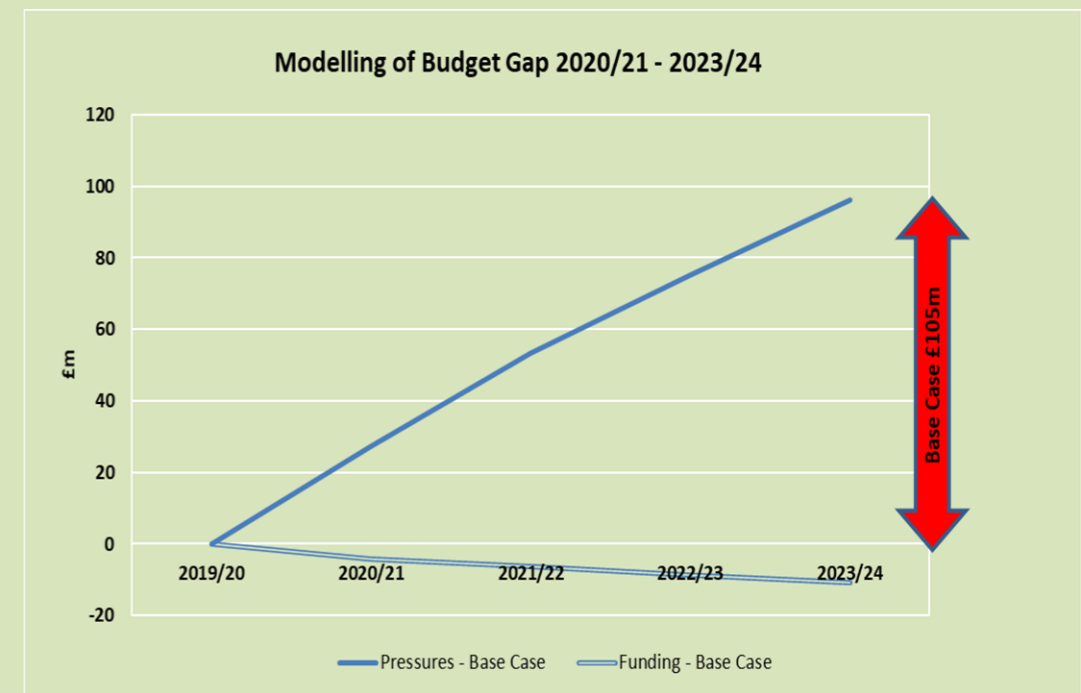
**Capital Month 9 Projected Position**

Directorate	Budget £000	Projected Outturn £000	Variance £000	Variance %	(Under)/Overspend £000	Slippage £000
Economic Development	23,084	21,031	(2,053)	(8.9%)	0	(2,053)
Education & Lifelong Learning	44,691	48,716	4,025	9.0%	4,312	(287)
People & Communities	13,520	10,257	(3,263)	(24.1%)	69	(3,332)
Planning, Transport & Environment	32,532	26,255	(6,277)	(19.3%)	35	(6,312)
Resources	7,816	4,595	(3,221)	(41.2%)	0	(3,221)
<b>Total</b>	<b>121,643</b>	<b>110,854</b>	<b>(10,789)</b>	<b>(8.87%)</b>	<b>4,416</b>	<b>(15,205)</b>

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

**MTFP Scenario**

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	TOTAL £000
Financial Pressures	25,909	25,216	22,108	20,851	<b>94,084</b>
Funding Reductions - AEF	2,223	2,212	2,201	2,190	<b>8,826</b>
Funding Reductions - Reserves	2,000	0	0	0	<b>2,000</b>
<b>Budget Requirement Reduction</b>	<b>30,132</b>	<b>27,428</b>	<b>24,309</b>	<b>23,041</b>	<b>104,910</b>
<b>Budget Strategy Assumptions</b>	<b>9,321</b>	<b>8,683</b>	<b>8,983</b>	<b>9,294</b>	<b>36,281</b>
<b>Total Savings</b>	<b>20,811</b>	<b>18,745</b>	<b>15,326</b>	<b>13,747</b>	<b>68,629</b>
<b>Total Strategy</b>	<b>30,132</b>	<b>27,428</b>	<b>24,309</b>	<b>23,041</b>	<b>104,910</b>



**Capital Expenditure & Capital Financing Requirement (CFR)**

	31 Mar 18 £000	31 Mar 19 £000	31 Mar 20 £000	31 Mar 21 £000	31 Mar 22 £000	31 Mar 23 £000
Capital Expenditure	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
Council Fund (General Fund)	113,441	99,171	112,137	171,801	119,726	25,660
Housing Revenue Account	24,824	47,385	64,510	79,750	68,750	54,350
<b>Total Capital Expenditure</b>	<b>138,265</b>	<b>146,556</b>	<b>176,647</b>	<b>251,551</b>	<b>188,476</b>	<b>80,010</b>
<b>Capital Financing Requirement excl. Landfill</b>						
Council Fund CFR	484,044	494,601	491,763	509,515	537,625	542,826
Housing Revenue Account CFR	266,711	281,657	308,740	341,577	387,096	426,251
<b>Total CFR</b>	<b>750,755</b>	<b>776,258</b>	<b>800,503</b>	<b>851,092</b>	<b>924,721</b>	<b>969,077</b>

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

	2011/12	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Difference 11/12-23/24
Net	13.47	13.72	13.75	14.59	15.95	15.90	15.56	15.52
Gross	15.17	18.18	18.38	19.88	22.08	22.83	22.81	50.36

Mae'r dudalen hon yn wag yn fwiadol

**AUDIT COMMITTEE:**

**2 April 2019**

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**STATEMENT OF ACCOUNTS 2018/19 – TIMESCALES, ACCOUNTING  
POLICIES AND FUTURE REGULATORY CHANGES**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 6.2**

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**Reason for this Report**

1. The Audit Committee terms of reference set out the responsibility for reviewing the financial statements prepared by the authority.
2. This report has been prepared to provide Audit Committee Members with:-
  - A. Proposed timescales for the 2018/19 statements
  - B. The draft accounting policies on which the Statement of Accounts for 2018/19 will be based, along with the key areas in the accounts where estimates and assumptions are used in preparation of the accounts.
  - C. The key changes expected to be implemented for the 2018/19 accounts arising from the 2018/19 CIPFA Code of Practice (the Code)
  - D. Significant changes in 2019/20 and beyond that are likely to have the most impact on the accounts.

**Background**

3. 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.
4. The Council's Statement of Accounts 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.
5. 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 Councils performance or figures included in the accounts.

6. 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 is attached at Appendix 1.

#### **A. Proposed timescales for the 2018/19 statements**

7. The proposed timescales in relation to the 2018/19 accounts are shown in the table below:-

<b>Date (Last Working Day)</b>	<b>Item</b>
From 7 June 2019 onwards	Submission of draft accounts for external audit
14 June 2019	Draft Statement of Accounts signed off by Corporate Director Resources
18 June 2019	Draft Statement of Accounts available for Audit Committee review and open for public inspection for 20 working days
25 June 2019	Draft Statement of Accounts presented to Audit Committee meeting
15 July 2019	Public inspection ends
1 August 2019	Receipt of all external audit queries
10 September 2019 (TBC)	Draft audited accounts presented to Audit Committee
12 September 2019 (TBC)	Final audited accounts and accompanying disclosures presented to Full Council for approval and sign off
13 September 2019	Publication of Statement of Accounts

8. As well as the current process where Audit Committee can raise queries with officers on receipt of the accounts at Audit Committee, it is proposed to develop and trial a process whereby Committee would have the opportunity to scrutinise the accounts, over a longer period, in accordance with their terms of reference. It is proposed that queries to the auditors or officers could be made up to and including 15 July 2019 in line with the period of public inspection. Officers would consider any comments and questions in relation to the committee's terms of reference in relation to the accounts and provide a response to Audit Committee as to the outcome of the issues raised.

#### **B - Draft Accounting Policies 2018/19 and Significant Assumptions used in the Accounts**

9. The Council's draft 2018/19 accounting policies are included, at Appendix 2. CIPFA continues to encourage Councils to streamline 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. A summary of the main amendments to the policies are shown below:

<b>Accounting Policies Section</b>	<b>Change</b>
General Principles	<ul style="list-style-type: none"> <li>• Improved readability including removal of technical terms, where not relevant.</li> <li>• Relocation of definitions to the glossary section.</li> <li>• Removal of standards that are not applicable or do not have a material impact on the Council's financial reporting.</li> </ul>
Financial Instruments	Updated with requirements of Code of Practice
Property, Plant & Equipment	Use of tabular format rather than a narrative format.
Accounting standards issued but not yet adopted	Updated for items to be included in future Codes of Practice

10. 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 2018/19 for disclosure in the accounts are included in Appendix 3 and remain unchanged from previous years. Changes in some assumptions could have a significant impact on the values included in the accounts, but are often purely an accounting exercise and have no impact on the level of council tax and rent payable, as they are required to be reversed.
11. Amendments to the draft accounting policies and assumptions have been considered and agreed with Wales Audit Office. However, it should be noted that there may be further changes following the audit and as there is further guidance issued by CIPFA, for example, in relation to Financial Instruments.

### **C – Key changes in the 2018/19 Code**

12. The main changes in the 2018/19 code issued by CIPFA relate to the treatment of:
- Financial Instruments - Presentation, disclosure and treatment of gains and losses
  - Timing of revenue recognition from contracts
13. The council is assessing the impact of these changes. However initial reviews indicate that these are not deemed to have a material impact on the accounts or financial performance.

### **D - Significant changes from 2019/20 onwards**

#### **Code of Practice**

14. Looking further ahead to 2020/21, 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.
15. Whilst this is expected to have no direct financial impact, work will need to be undertaken to ensure existing lease type arrangements across the Council are identified, and accurately recorded. This will include a review of existing processes

and the creation of new processes for managing and recording existing and new lease arrangements.

## Accounts and Audit Regulations

16. In accordance with revised regulations the Council is required to continue to bring forward timescales for the statement of accounts. These are shown in the table below:

	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

17. In order to meet the timescales, 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.

## Reason for Recommendations

18. To inform Audit Committee of the key changes impacting on the Council's Statement of Accounts for 2018/19 and changes expected in the medium term.

## Legal Implications

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

## Financial Implications

20. The changes outlined in this report particularly beyond 2018/19 will continue to require additional workload on the part of the local authority finance function and directorates. Consideration of the cost and benefit of changes will need to be undertaken as part of a continuous process of improvement and implementation particularly in respect of materiality of requirements.

## Recommendations

21. Audit Committee are requested to note:-
- The timescales proposed for the 2018/19 accounts
  - the draft accounting policies and assumptions to be used in preparing the statement of accounts for 2018/19
  - the key changes in the Code of Practice for 2018/19, and changes in the medium term

**CHRISTOPHER LEE**  
**CORPORATE DIRECTOR RESOURCES**  
**25 MARCH 2019**

The following Appendices are attached:

Appendix 1 – CIPFA Guide – Understanding Local Authority Financial Statements

Appendix 2 – Draft Accounting Policies 2018/19

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

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# 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
<b>Net Cost of Services</b>	72,702	15,563	88,265
Other Income and Expenditure	(72,658)	(1,019)	(73,677)
<b>Surplus or Deficit</b>	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		
<b>Closing General Fund and HRA Balance at 31 March 20x1*</b>	<b>(25,203)</b>		

\*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
<b>Cost of Services</b>	<b>168,167</b>	<b>(79,902)</b>	<b>88,265</b>
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)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>14,588</b>
(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)
<b>Other Comprehensive Income and Expenditure</b>			<b>(45,142)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(30,554)</b>

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
<b>Balance at 31 March 20X0</b>	22,118	3,129	10,065	1,600	450	37,362	1,350,567	1,387,929
<b>Movement in reserves during 20X0/X1</b>								
<b>Total Comprehensive Income and Expenditure</b>	(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)	–
<b>Increase or (decrease) in 20X0/X1</b>	<b>(148)</b>	<b>104</b>	<b>(750)</b>	<b>–</b>	<b>–</b>	<b>(794)</b>	<b>31,348</b>	<b>30,554</b>
<b>Balance at 31 March 20X1 carried forward</b>	<b>21,970</b>	<b>3,233</b>	<b>9,315</b>	<b>1,600</b>	<b>450</b>	<b>36,568</b>	<b>1,381,915</b>	<b>1,418,483</b>

\* 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
<b>Long-term assets</b>		<b>1,670,478</b>	
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	
<b>Current assets</b>		<b>42,589</b>	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
<b>Current liabilities</b>		<b>(45,227)</b>	
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
<b>Long-term liabilities</b>		<b>(249,357)</b>	
<b>Net assets</b>		<b>1,418,483</b>	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.<sup>1</sup> 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"> <li>■ Operating</li> <li>■ Investing</li> <li>■ Financing</li> </ul>
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)	
<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<b>(13,767)</b>	Cash and cash equivalents figure in the balance sheet

<sup>1</sup> 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.

<b>Checklist</b>	
<b>Expenditure and Funding Analysis</b>	
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?
<b>Comprehensive Income and Expenditure Statement</b>	
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?
<b>Movement in Reserves Statement</b>	
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)



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## Accounting policies used when formulating the accounts

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Council's income and expenditure for the year ended 31 March 2019 and its financial position at 31 March 2019. 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 2018/19 (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 Standards issued but not yet adopted

The main change to the Code will be the requirements of International Financial Reporting Standard 16 – Leases in 2020/21. This will remove the existing classification of operating and finance leases covering buildings, equipment etc. and their different accounting treatments. It will require all leases, with a term over a year, to be recorded as assets and liabilities unless the underlying asset is of low value.

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

### 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
- revenue from the provision of services/contracts is recognised when the Council can measure reliably the percentage of completion and it is probable that economic benefits or service potential will be achieved
- supplies are recorded as expenditure when they are consumed
- 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. 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

## Accounting Policies

of Services. Depreciation is not charged on Assets Held for Sale. Regular 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.

#### 4. 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, including petty cash accounts. Cash equivalents include Call Accounts and Money Market Funds.

#### 5. 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 Council's control. Contingent assets and liabilities are not recognised in the accounting statements but are disclosed in the notes to the accounts where deemed material.

#### 6. 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.

#### 7. Disposals and Capital Receipts

When assets are disposed of or decommissioned, the value of those assets included in the Balance Sheet along with any proceeds from disposal are used to calculate a gain or loss on disposal.

Council Fund receipts from disposals greater than £10,000 are treated as capital receipts.

#### 8. Employee Benefits

##### Benefits Payable during Employment

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure on an accruals basis in the relevant service line in the Comprehensive Income and Expenditure Statement.

##### 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.

##### Post-Employment Benefits

Employees of the Council are members of two separate pension schemes:

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

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. Accounting treatment depends on whether they are in respect of a defined benefit scheme or a defined contribution scheme.

##### Defined Contribution Schemes

Centralised arrangements for the Teacher's Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council and is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

##### Defined Benefit Schemes

The Cardiff and Vale of Glamorgan Pension Fund is a defined benefit scheme. 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 where:

## Accounting Policies

- liabilities for the scheme attributable to the Council are included on an actuarial basis using the projected unit method (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).
- assets of the scheme attributable to the Council are included at their fair value:
  - quoted and unitised securities – current bid price
  - unquoted securities – professional estimate
  - property – market value.

The change in the net pension liability is analysed into the following components:

- Current service costs: increase in the liability as a result of pension earned by employees in the year is charged to net cost of services.
- Past service costs: increase in the liability arising from current year decisions which affect pension earned by employees in earlier years is charged to Corporate Management.
- Gains/losses on settlements and curtailments: result of actions to relieve the Council of liabilities or events that reduce expected future service or accrual of benefits are charged to Corporate Management.
- Net interest on the net defined benefit liability: 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: return on plan assets (excluding amounts included in net interest) and actuarial gains/losses as a result of updated actuarial assumptions. These are both charged to the Pensions Reserve as Other Income and Expenditure.

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.

### 9. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the Council's business model for holding financial assets and their cash flow characteristics.

There are three main classes of financial assets measured at:

- Amortised cost - Achieve objectives by collecting contractual cash flows e.g. principal and interest
- Fair value through profit or loss (FVPL) - Achieve objectives by both collecting contractual cash flows and selling assets
- Fair value through other comprehensive income (FVOCI) - Achieve objectives by any other means than collecting contractual cash flows and where the Council has designated that this is the case.

In terms of value of financial assets recognised in the accounts, the authority's primary business model is to hold investments to collect contractual cash flows, however loans and equity instruments may be provided as capital expenditure in the approved Capital Programme to achieve service objectives. Depending on the rationale for holding such financial assets, primarily equity, the Council may designate such items to be measured at fair value through other comprehensive income.

Fair value measurement techniques are defined within the final section of this policy.

#### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset

## Accounting Policies

multiplied by the effective rate of interest for the instrument in accordance with any investment or loan agreement. The amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest).

Any gains or losses that arise on the derecognition of an asset are credited/debited to the CIES.

### Expected Credit Loss Model

Impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations. Such a review would take place on an individual financial asset or collective basis, based on materiality and cost benefit of individual assessment.

The Council undertakes a review of expected credit losses on all financial assets held at amortised cost either on a 12-month or lifetime basis. Where provision for such losses is not already undertaken e.g. as part of a provision for bad debts, adjustments to the value of financial assets disclosed in the accounts would be made. Credit risk plays a crucial part in assessing expected credit loss. Where risk has increased significantly since a financial asset was initially recognised, provision for losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, provision for losses are assessed on the basis of 12-month expected loss.

### **Financial Assets Measured at Fair Value through Profit of Loss (FVPL)**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised in the Surplus or Deficit on the Provision of Services.

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

### **Financial Assets Measured at Fair Value through other comprehensive income (FVOCI)**

Financial assets that are measured as FVOCI are initially measured and carried at fair value on the Balance Sheet. Treating such assets under this category will require a 'Designation' by the Council. These are likely to be equity holdings held as part of a service objective.

Fair value gains and losses are recognised in other comprehensive income and the change in the amount of the investment in the balance sheet is matched with an entry in the Financial Instruments Revaluation Reserve.

Upon derecognition, any balance on the Financial Instruments Revaluation Reserve is recycled through the Surplus or Deficit on the Provision of Services.

### **Fair Value Measurement of Financial Assets**

Fair value measurements for the above financial asset classes measured at fair value are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

## **10. 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 in the Balance Sheet as a current liability.

## Accounting Policies

Where a fair value price which is paid to transfer a liability, is estimated and disclosed, 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.

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.

### **11. 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.

### **12. 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. No depreciation charge is made on heritage assets.

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 within the notes to the accounts. The next valuation is due to take place in 2019/20.

### **13. Intangible Non-Current Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council is 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.

### **14. 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.

### **15. 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 expenditure.

### **16. Investment Property**

Investment properties are those held solely to earn rentals and/or for capital appreciation such as; ground leases, land held for future development as strategic sites and other land and buildings that meet investment property criteria.

Investment properties are measured at fair value, based on the market value that would be received to sell an asset in an orderly transaction between market participants at the measurement date, reflecting the asset's highest and best use. A full valuation took place in 2018/19.

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.

### **17. Joint Committees**

The relevant proportion of Joint Committees are included within the Council's accounts which reflect the transactions and balances as per the draft accounts prepared for each Joint Committee.

### **18. 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.



## Accounting Policies

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

### The Council as Lessee

#### Finance Leases

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 does not hold any leases of this type.

#### 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

The Council does not provide any leases of this type.

#### 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.

## 19. Property, Plant, 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.

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 capitalisation of expenditure in connection with Council dwellings.

### 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, excluding borrowing costs which are not capitalised.

A full year's depreciation is charged on capital expenditure incurred in the year. No depreciation is charged in the year of disposal.

Assets are subsequently carried on the balance sheet as per the following:

Asset Type	Measurement	Revaluation	Valuer	Depreciation
		Next revaluations are scheduled for:	Those undertaken this year were completed by:	Calculated on a straight line basis over the below estimated useful lives, unless there is not a determinable finite useful life.
<b>Assets under Construction</b>	Depreciated Historical Cost	N/A	N/A	N/A
<b>Community Assets</b>	Depreciated Historical Cost	N/A	N/A	N/A

## Accounting Policies

<b>Council Dwellings</b>	Existing Use Value for Social Housing	2018/19 2021/22	Internal Strategic Estates	50 years
<b>Other Operational Land &amp; Buildings</b>	Existing Use Value or Depreciated Replacement Cost if specialist nature without market-based evidence	2018/19 2021/22	Cooke & Arkwright	Land: N/A Buildings: 3-65 years
<b>School Assets</b>	Detailed Depreciated Replacement Cost (known as Modern Equivalent Asset)	2019/20 2022/23	N/A	Land: N/A Buildings: 3-65 years
<b>Surplus Assets</b>	Fair Value	2018/19 2019/20 2020/21	Internal Strategic Estates	N/A
<b>Vehicles, Plant, Furniture &amp; Equipment</b>	Depreciated Historical Cost	N/A	N/A	5-15 years

### Revaluations:

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 revaluation programme 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 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 or significant permanent market value reduction. Where a material change in value is identified, the accounting treatment is 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.
- thereafter, or if there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

## Accounting Policies

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.

### **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 £1.500 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.

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.

### **20. Provisions**

Provisions are charged as expenditure to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision, which is held on the Balance Sheet. Provisions are reviewed at the end of each financial year and where no longer required are credited back to the relevant service line.

### **21. 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, has been 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.

### **22. Reserves**

The Council sets aside useable earmarked reserves for future policy purposes or to cover contingencies. 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 and there are no net impacts on council tax or rent.

### **23. Value Added Tax (VAT)**

VAT payable is excluded from expenditure except where it is not recoverable from HMRC. 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 2019 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 and 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.	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 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 which may impact on collectability a level of impairment or provision for doubtful debts is assumed which may, or may not be sufficient.	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.
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	The effects on the net pension liability of changes in individual assumptions are difficult to

### Appendix 3

<b>Item</b>	<b>Uncertainty</b>	<b>Effect if Actual Results Differ from Assumptions</b>
	<p>rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. This also includes market volatility for example, as a result of Brexit.</p> <p>Professional actuaries are engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>measure as they interact in different ways.</p>

# CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD



**AUDIT COMMITTEE: 2 April 2019**

## DRAFT ANNUAL GOVERNANCE STATEMENT 2018/19

**REPORT OF CORPORATE DIRECTOR RESOURCES      AGENDA ITEM: 7.1**

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 2018/19. 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 2019.
9. Audit Committee received the mid-year SMAS analysis in January 2019, and the year-end SMAS analysis will be provided to Audit Committee in June 2019.

#### 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 2019 and the year-end Action Plan will be reported to Audit Committee in June 2019.

#### 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 2018/19 properly reflects the risk environment and supporting assurances.



**CHRISTOPHER LEE  
CORPORATE DIRECTOR RESOURCES**

The following Appendices are attached:

**Appendix A** - Draft Annual Governance Statement 2018/19

Mae'r dudalen hon yn wag yn fwriadol

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# Cardiff Council

## DRAFT Annual Governance Statement 2018/19

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



## 1. Scope of Responsibility

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.

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.

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.

The governance arrangements in the Council's three wholly owned subsidiary companies which traded in 2018/19, 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 2018/19. 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

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.

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.

The draft Code of Corporate Governance (Code) developed in 2017/18, and reviewed by Audit Committee in January 2018, documents how we apply the principles of good governance (*as summarised in Section 4 of the AGS – Assessment Process and Summary*). It was recommended by the Constitution Committee in February 2019, for approval by Council and inclusion in the Council's Constitution. Council will consider this recommendation on 28 March 2019.

### 3. The Governance Framework

The Framework comprises two core principles and five supporting principles. Principles A and B run through 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

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.

These three elements 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.

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 SMT of the significant governance issues affecting the organisation as summary actions to take forward and address.

The diagram in fig. 1 sets out the components of this assessment.



**Fig.1**

**i) Assurance Statements**

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 after the financial year**

**Audit Manager Statement**

*(Public Sector Internal Audit Standards (PSIAS) - 2450)*

**To be completed after the financial year****Audit Committee Statement****To be completed after the financial year****ii) Governance Framework - Supporting Information****A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**

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.

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.

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.

In 2018/19 the Monitoring Officer was notified of a total of eleven complaints relating to Member conduct. The Monitoring Officer has not referred any of these complaints to the Public Services Ombudsman, however, five complaints were made directly by the complainants to the Ombudsman. Four of the complaints related to one Member's activities in connection with a particular organisation. Two of these complaints were made directly to the Ombudsman. For these two matters the Ombudsman determined that it was not appropriate to investigate the complaints. The other two complaints were resolved informally by the Monitoring Officer. One was resolved by way of an explanation, and the complainant agreed that no further action was necessary. The other complaint was resolved by the Member offering an immediate apology and repayment of Council printing costs. Of the remaining seven complaints, four have been resolved informally by the Monitoring Officer. One complaint was determined by the Ombudsman with a finding of

no evidence of a breach of the Code. Another complaint determined by the Ombudsman related to 10 members of the Planning Committee which resulted in the decision by the Ombudsman not to investigate the complaint. One complaint remains outstanding with the Ombudsman.

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 those who had held the office of Councillor over the five year term, they were invited to complete a Member Exit Survey in February 2017. The summary of the survey was reported in the Annual Governance Statement for 2017/18.

The results from the Member Exit Survey in 2017 were discussed at the Annual Meeting between the Standards and Ethics Committee and the Political Group Leaders and Whips on 13 June 2018. The outcome of this was included in the Standards & Ethics Annual Report.

The key aspects from the survey were that there was an *'observed improvement in Members' conduct and the quality of debate at Council meetings was welcomed, that the reduction in the number of formal complaints was very encouraging, and that Member conduct issues indicated some positive trends, but also identified some level of bullying and behavioural issues'*.

The Standard and Ethics Committee in June 2018 received the analysis of responses relating to Member Conduct and behaviour and matters referred on to the all Party Women's Group to consider. The All Party Women's Council Group is a Member Group set up in accordance with Part 5 of the Constitution, administered by a lead Member and all Members are invited to participate. The Group established in 2017 did not meet during the 2018/19 Municipal Year due to the availability of the Chair.

The Standards and Ethics Committee introduced bi-annual Member briefings to report on the work of the Committee and to underline the importance of the Cardiff Undertaking. During 2018/19 one meeting of the Standards and Ethics Committee took place. The associated Member Briefing prepared to reflect outcomes of the meeting issued in February 2019

The Member Exit Survey will be undertaken towards the end of an administrative period with the next Survey scheduled for March 2022.

Members and Co-opted Members are required to register their personal interests in any business of the authority, and to adhere to associated practices in accordance with the Member Code of Conduct. The disclosures are published on the Council's website within member profile information. 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. The procedures for managing officer's personal interests have been reviewed and agreed by Senior Management Team and the register will be published on the Council's website during 2019/20.

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.

The Workforce Strategy and Employee Charter continues to ensure that there is alignment between the Council's vision and values and the Corporate Plan:

- The Employee Charter sets out the expectations of all staff (employees, managers and senior managers) and has formed part of the objective setting process for personal reviews.
- The Workforce Strategy seeks to deliver outcomes for and with employees, within a culture that supports a flexible, skilled, engaged and diverse workforce.

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 and Corruption Policy
- Money Laundering Policy and Procedure
- ICT Security Policy
- Data Protection Policy & Procedure
- HR policies regarding investigation and discipline of staff

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.

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). There have not been any whistleblowing cases reported to the Monitoring Officer in 2018/19.

The Corporate Director Resources is the Council's Section 151 Officer with overall responsibility for the financial administration of the Council and is also the Senior Information Risk Owner (SIRO) with overall responsibility for the information governance arrangements 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) and the Information Governance requirements set out in the Data Protection Act 2018. During 2018/19 the recruitment of a new Corporate Director Resources commenced. The new post holder took up the position on the conclusion of the budget strategy and budget setting process in March 2019. Transition arrangements were put in place to the end of the financial year to ensure continuity.

During 2018/19 the post of a full time Audit Manager was re-established after a period of strategic oversight by the Head of Finance as the Acting Audit Manager.

## **B. Ensuring openness and comprehensive stakeholder engagement.**

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.

To support openness, the Council is focusing on proactively publishing data through the 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). Data sets continue to be identified for publication.

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. An Assurance Board has been developed within the SMT environment where the Chief Executive, and Directors discuss aspects of the assurance, for example risk management, performance management, outcomes and progress on audit recommendations made by the internal and external bodies and regulators. This has increased the visibility and the connections between these assurance pieces. The meetings between the Chief Executive, Directors and Cabinet Members to agree actions arising from an open debate of performance and service delivery challenges has continued in 2018/19.

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. During 2018/19 Council meetings and the Planning Committee meeting were the primary focus of webcasts. Scrutiny and other meetings were allocated webcasting time based on public interest and prioritisation of specific items including the development and implementation of dual language webcast for Council meetings. A review of webcasting to identify and widen and balance webcasting use with other committees and meetings is planned to establish future webcasting priorities. Papers and reports are also available on the Council's website to assist with engagement in webcasting, and in general.

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.

Citizens, communities and partners continue to be engaged through a programme of citizen engagement, budget consultation, Ask Cardiff surveys that seek opinions of a range of Quality of Life and Quality of Services statements. The output of these are used to inform proposals and decisions of priorities and planning for the provision of services.

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.

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. The Wellbeing Plan which responds to the evidence from the Wellbeing 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 was adopted by Full Council and statutory member organisations by the statutory deadline of May 3<sup>rd</sup> 2018. During 2018/19 the relationships have matured and a Leadership Group comprised of elected members, and a Delivery Group comprised of the Chief Executives established where the delivery of the Wellbeing Plan is monitored through a process of high level exception reporting.

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.**

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.

The Corporate Plan is aligned to the focus of the political vision set out in the Capital Ambition and sets out the organisation's priorities and clear improvement objectives to be delivered with the support of Lead Members. In order to provide a more consistent approach to planning across a range of partners there are clear links between the Partnership Plan, and the regional plan with the Health Board as a result of the Social Services and Wellbeing (Wales) Act 2014. The Corporate Plan is a rolling 3 year plan which is refreshed annually. The latest refresh was approved by Council in February 2019 for the period 2019 – 2022, informed by the consultation on budget proposals for 2019/20. It sets the strategic direction and provides a framework for Directorate Delivery Plans and performance management objectives. Corporate Plan priorities are based on the same Wellbeing Objectives as the Cardiff PSB:

- Cardiff is a great place to grow up
- Cardiff is a great place to grow older
- Supporting people out of poverty
- Safe, confident and empowered communities
- A capital city that works for Wales
- Cardiff grows in a resilient way
- Modernising and integrating our public services:

The delivery of the Corporate Plan is monitored through the Council's Performance Management Framework, which includes:

- Quarterly Performance monitoring by SMT as part of its Assurance Board role
- Progress reported to Members alongside the Budget Monitoring
- Joint Cabinet and Senior Management Team Performance Challenge meetings
- Quarterly monitoring of the strategic issues arising from delivering the Capital Ambition is undertaken at a joint Cabinet and Senior Management meeting

The four year Capital Ambition Delivery Programme replaced the Council's Organisational Development Programme (ODP) in 2017/18, and is aligned to the delivery of corporate priorities and budgets, and comprises of two discrete components:

- Modernisation: Transformation of corporate systems and processes that support service delivery, led by the Corporate Director - Resources
- Resilient Services: Transformation of front-line services, led by the Corporate Director - People and Communities

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. The CCR City Deal involves the UK Government, Welsh Government and ten Council's working together, through joint enterprise.

The CCR City Deal five year strategic business plan was approved by the Regional Cabinet of 10 local authority leaders in February 2018 and the governance arrangements have been strengthened to include a Joint Scrutiny Committee which is hosted by Bridgend County Borough Council on behalf of the local authority partners.

During 2018/19 the Wales Audit Office reviewed the governance arrangements put in place to support the Cardiff Capital Region City Deal's first investment decision. They identified that as the decision was made very early in the newly formed partnership and before the agreed assurance framework was fully in place, there are lessons to be learnt for future investment decisions by the Cardiff Capital Region City Deal and other similar partnerships.

The Final Local Government Settlement for 2018/19 for Cardiff was received in December 2017 equating to a funding increase of 0.9%. Additional cash of £3.98 million was allocated compared with 2017/18, but this was eroded to £2.426 million (+0.55%) once new responsibilities and other differentiating year on year factors were taken into account. The Council has continued to focus on using the resources available to deliver corporate priorities within a balanced budget.

Consultation on the Council's 2018/19 budget proposals "Changes for Cardiff" ran from 2nd November 2017 – 14<sup>th</sup> December 2017. 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. The consultation enabled members of the public to communicate their views on the budget proposals. It informed the final decisions on service changes, which focussed on delivering valued public services in the face of ongoing austerity.

Building on the approach to the Council's Budget Strategy over the last few years is key to planning for future years. The Council has set out in its Budget Report 2019/20 how it will address a budget gap of £32 million in 2019/20, and has identified a budget gap of £105 million between 2020/21 and 2023/24. The outlook over the medium term remains a matter of concern and the Budget Report 2019/20 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.**

Cardiff City Transport Services Ltd. (Cardiff Bus), one of the Council's wholly owned subsidiary companies, reviewed the composition of the Board and agreed a revised structure in November 2018. Appointments to the Board were concluded by the end of the financial year.

To ensure decision makers are well informed, all decisions taken by Members are supported by written reports from Officers on the legal, HR and financial implications arising from the decision. These reports are also required to outline the economic, social and environmental outcomes, the key risks and alternative courses of action which are available.

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 Corporate Plan. This process has helped to integrate the sustainable development principle and the Act in organisational processes and decision making. The 5 ways of working have been integrated into our partnership planning to ensure a more systemic approach to delivering the identified outcomes.

The Corporate Plan continues to be informed by the views of a range of stakeholders, including the people of Cardiff, public service and private sector partners, and Council staff helped contribute to the development of the Council's well-being objectives. This includes:

- The Ask Cardiff annual resident survey, gives people the opportunity to tell the Council about their own well-being and their experiences of public services, and helps the Council understand what is important to residents and local communities. With over 5,500 responses it is one of the most successful surveys of this type in Wales or across UK Core Cities.
- Consultation with seldom heard groups such as locality and partner events in neighbourhood areas, the Cardiff Youth Council Grand Council, the 50 + Forum focus group, BAME focus groups, Cardiff Deaf Club, Cardiff and Vale Action for Mental Health, Friends and Neighbours Group (Butetown)
- An engagement event with the city's civic leadership at the 'Liveable City Forum'

To ensure staff are consulted and involved in decision making, various channels of communication are used including Corporate Roadshows, the Chief Executive's Update, Core Brief, Staff Information messages, the Staff App, and DigiGov (the Council's HR system). The staff Ambassador Group remains active and met with Directors during 2018/19 which has also seen a period of reflection with regards to employee engagement. A revised Employee Engagement Strategy will be brought forward in the new financial year which will also include a rebranding of the Ambassador group and their terms of reference.

Consultation on draft decisions resulting from budget proposals is robust and the impact on citizens and service users is an important consideration. The engagement of citizens has continued to be 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.

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 (NSI) together with locally selected measures of success which are relevant to Cardiff. 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.

The Council's Budget Strategy is based on an incremental budgeting approach where budgets are informed to a greater extent by corporate priorities and the required future shape of the organisation.

The themes for savings in the Budget Strategy for 2019/20 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

To provide greater confidence in the delivery of savings directorate proposals once submitted were subject to challenge to ensure clarity in ownership, accuracy, feasibility, achievability and risk management. These arrangements were replicated for the development of the Budget Strategy for 2019/20 during the planning period August 2018 to February 2019.

The Wales Audit Office (WAO) audit under the Public Audit (Wales) Act 2004 and reporting responsibilities under the Code of Audit Practice found that

*'The Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.'*

and that

*'work on certification of grant claims and returns has not identified significant issues that would impact on the financial statements or key financial systems'.*

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.**

The Annual Wellbeing Statement (formerly the Annual Improvement Plan) provides a comprehensive statement of progress and areas of challenge and links to the Corporate Planning arrangements.

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.



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.

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.

The senior management structure of the Council was reviewed in 2017/18 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. This revised senior management structure was put in place during 2018/19.

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

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, and a review undertaken during 2017/18 which has led to offering this programme more widely across the officer body without the requirement to sit a formal ILM level 3 qualification.

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. During 2018/19 the Democratic Services Committee led on the development of an Elected Member Learning and Development Strategy. This strategy identifies key elements to support the governance arrangements of the Authority including a review of role descriptions which will clarify the individual role of member in the decision making process, and the introduction of a Personal Review Process to support the provision of appropriate learning opportunities to improve the skills and knowledge of elected Members.

Performance is primarily evaluated through the Council's Personal Review 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 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 provides a number of learning and development programmes and courses.

The Council's Workforce Strategy has employee health and wellbeing as a priority. The Council continues to support the 'Time to Change' Pledge, has been recognised as a Disability Confident Employer, signed the Dying to Work Charter and achieved the Corporate Health Standard Silver Award. During 2018/19 the Council has continued to work towards being recognised as a Dementia Friendly organisation and achieving the Corporate Health Standard Gold Award by 2020. The Council continued during 2018/19 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.

During 2018/19 the Council has published an Annual Wellbeing Report (formerly the Statutory Improvement Report) which provides a retrospective summary evaluation of performance for 2017/18 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. Performance improved against 79% of its indicators, performance was maintained against 7.1% of its indicators and performance declined against 14.3% which represents two indicators. This saw the Council's ranking rise significantly within the local government family comparative performance to 5<sup>th</sup> as compared to 13<sup>th</sup> in 2016/17

The Wales Audit Office published an Annual Improvement Report 2017/18 in September 2018, which is a forward-looking assessment that considers the likelihood of compliance with the Council's duty to make arrangements to secure continuous improvement as well as a view on how the Council was working towards the requirements and obligations in relation to the Wellbeing of Future Generations Act, a service-user-perspective themed review, and a review of overview and scrutiny arrangements.

The report did not raise any formal recommendations, but it made proposals for improvement, relating to potential development, transparency, and role of Scrutiny can have in governance when determining service changes. The report concluded that:

*'The Council is meeting its statutory requirements in relation to continuous improvement 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 2018-19'*

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

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 2018/19 to provide a transparent representation of the status of corporate risks and to support a proportionate management response.

The revised Risk Management Strategy and Policy, which had been developed by the risk management network, with comments from the Cabinet and consideration by the Audit Committee in January 2018, was approved for operation from the second financial quarter of 2018/19.

The responsibility for the day to day management of the risk management process moved from the Information Governance and Risk Management Team to the Accountancy Team in December 2018. The process has continued to be 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.

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 Annual Wellbeing Report (formerly the 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.

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 Committees, examples include the CCR City Deal Joint (Regional) Cabinet and a Joint (Regional) Scrutiny Committee, Wales Pension Partnership Joint Governance Committee, Prosiect Gwyrdd Joint Committee, the Shared Regulatory Services Joint Committee and the Glamorgan Archives Joint Committee.

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 Audit Manager reports functionally to the Audit Committee and administratively to the Council's Deputy Section 151 Officer.

The Internal Audit Team assesses governance as part 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 issued by Internal Audit are reported to the Audit Committee and tracked to provide assurance that they are acted upon.

Performance is monitored regularly within directorates on an ongoing basis. 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.

The Council has robust arrangements for internal control. The risk management strategy and policy 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.*

Effective arrangements are in place to safeguard personal data. During 2018/19, the Council continued to prepare for, and enacted the General Data Protection Regulation and Data Protection Act 2018 on 25<sup>th</sup> May 2018. An action plan setting out the changes in legislation 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. The Council's approach to aspects of Information Governance was tested during 2018/19 through a number of internal audits and an external assessment against the national Cyber Essentials + Standard where no issues were raised.

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.

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.**

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.

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.

The Council's Annual Wellbeing Report (formerly the Statutory Improvement Report) evaluates performance, summarising the findings of a number of reports on performance, including corporate measures and evaluations of delivery against the Capital Ambition, Wellbeing Plan and the objectives and activities that the Council is delivering as part of the Partnership arrangements (PSB).

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*.

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.

The SMAS and AGS Action plan of significant governance issues are reviewed biannually by SMT, Audit Committee and lead support officers. The aim is to achieve openness and transparency in Council affairs and identification, communication and management of matters which require corporate attention.

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.

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.

Performance information is published against statutory NSI and PAM datasets, as set by the Welsh Government. This report includes ranking information to clearly and transparently show performance relative to each other Local Authorities in Wales.

The Council has taken steps to ensure that recommendations for corrective action made by external audit are acted upon, and targeted governance

projects are created 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.

The Council has an effective Internal Audit Service, as supported by performance information and reporting, which was externally assessed as conforming with the the Public Sector Internal Audit Standards (PSIAS) in all material respects during 2017/18 by Rhondda Cynon Taf CBC . The PSIAS is a central measure of the effectiveness of the Internal Audit function against the mandatory elements of the International Professional Practices Framework. The small number of recommendations arising from the external assessment to enhance information in the Internal Audit Charter have continued to be progressed by the Audit Manager during 2018/19.

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 after the financial year**

**Significant Issues – The Cardiff and Vale of Glamorgan Pension Fund.**

**To be completed after the financial year**

**Certification by the Leader of the Council and the Chief Executive**

**Councillor Huw Thomas, Leader of Cardiff Council**

**Date:**

**Paul Orders, Chief Executive**

**Date:**

Mae'r dudalen hon yn wag yn fwriadol



**AUDIT COMMITTEE: 2 APRIL 2019**

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**CORPORATE RISK MANAGEMENT - QUARTER 3 2018/19**

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

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**Reason for this Report**

1. To update Audit Committee on the risk management position at quarter 3 2018/19.
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 13 November 2018, at which time the risk management position at quarter 2 for 2018/19 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.
7. Quarter 3 risk assessments continue to apply the 4x5 Risk Matrix introduced in January 2018.

**Issues**

8. 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 1), the Summary CRR (Appendix 2) and the Detailed CRR (Appendix 3).

9. 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

10. At the quarter 3 position, 275 risks were reported from DRRs. All escalated risks and requests for de-escalation were discussed and approved in SMT on 26 February 2019.
11. It was agreed that 11 directorate risks would be carried forward as SMT escalated risks at quarter 3.

Directorate	Economic Development	Education	Governance & Legal Services	Housing & Communities	Planning, Transport & Environment	Resources	Social Services
Directorate Risks	33	31	7	38	30	118	18
Risks at SMT Escalation Point	0	2	1 (shared)	1	3	4	1 (shared)

#### Corporate Risks

12. SMT collectively reviewed the escalated directorate risks and corporate risk updates at the end of quarter 3. In consideration of the nature of each risk, the potential impact on the organisation and its corporate objectives and the supporting mitigations, the following material changes were made to the CRR.
13. **Brexit** - The risk that Brexit (and any subsequent decisions) may create severe disruption to the City and hinder its ability to continue to deliver effective services and maintain community cohesion, was formally recognised in the Corporate Risk Register in quarter 3. A number of controls are already in place including the review of business continuity plans and regular contact with WLGA, Welsh Government, respective public partners and suppliers. As the outcome of Brexit becomes clearer, priority areas will become the main focus of attention, with further work undertaken to identify longer term implications on areas such as workforce planning. The residual risk is B2.

#### **Quarter 4 2018/19**

14. Three risks on the Corporate Risk Register are targeted for reduction in Quarter 4 2018/19 – Financial Resilience, Budget Monitoring (Control) and Statutory Building Maintenance.
15. It is anticipated that both the Financial Resilience and Budget Monitoring risks can be reduced to their target ratings of C2 (Medium) following approval of the Council's budget for 2019/20 and a reported balanced outturn position for 2018/19.
16. In respect of the Statutory Building Maintenance risk, the risk owner has also stated that the quarter 4 target for reduction of the risk to D3 (Medium) is on track to be achieved.

## **Reason for Recommendation**

17. To enable the Audit Committee to monitor risk management activity, and consider the Risk Management Review - Quarter 3 2018/19.

## **Legal Implications**

18. 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**

19. 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.

## **RECOMMENDATIONS**

20. 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.

**Christopher Lee**  
**Corporate Director Resources**

The following Appendices are attached:

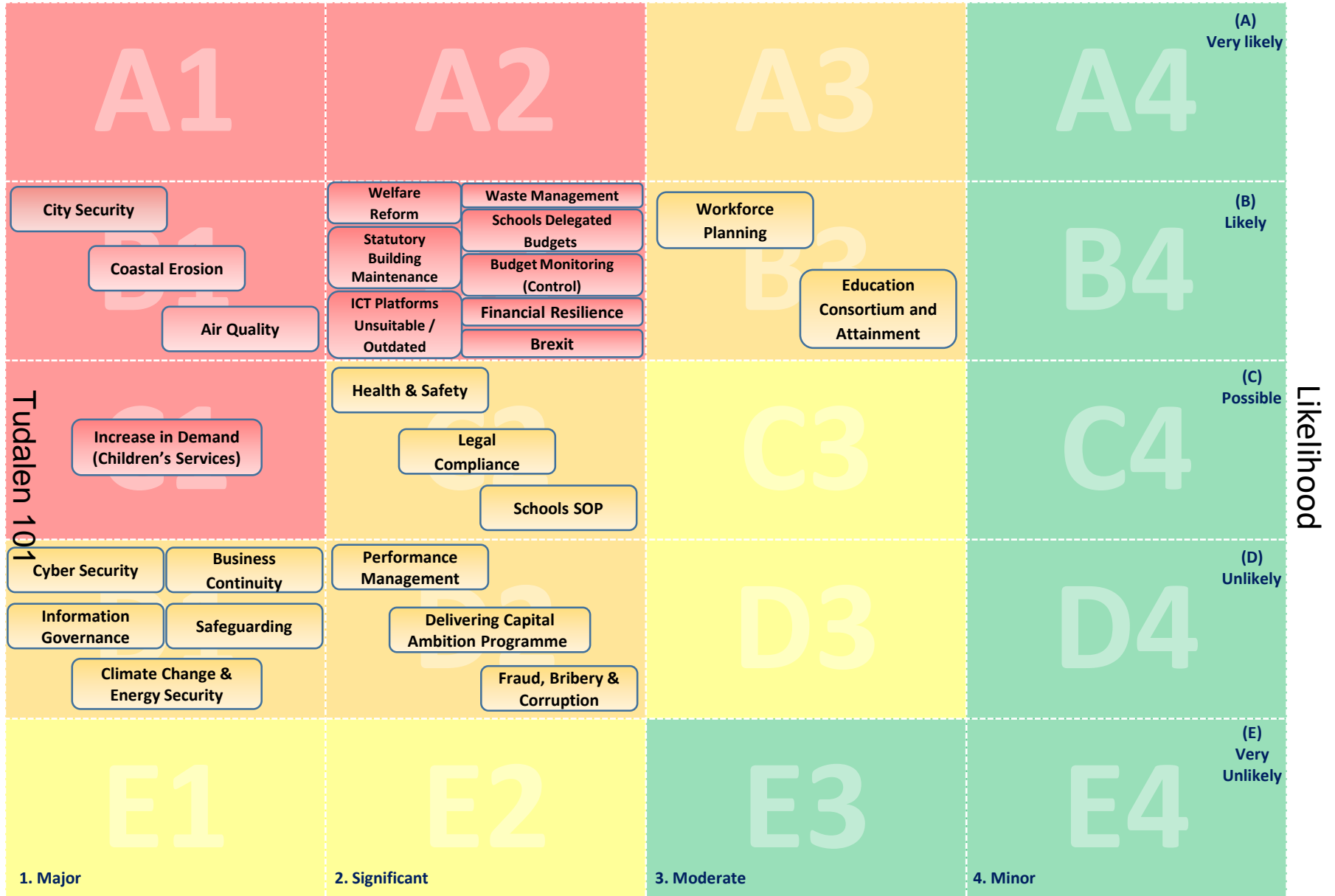
**Appendix 1** - Corporate Risk Map - Q3 2018/19

**Appendix 2** - Summary Corporate Risk Register - Q3 2018/19

**Appendix 3** - Detailed Corporate Risk Register - Q3 2018/19

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# Corporate Risk Map Q3 2018/19



Impact

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## Corporate Risk Register - Quarter 3 Summary 2018/19

Risk Description	Inherent Risk	Residual Risk	Risk Owner	Cabinet Member
<b>Event Driven Risks</b>				
<p><b>City Security</b></p> <p>Major security-related incident in the city as a result of international or domestic terrorism.</p>	High (A1)	High (B1)	<p>Chris Lee (Head of Performance &amp; Partnerships)</p> <p>Andrew Gregory</p>	<p>Councillor Huw Thomas Leader</p>
<p><b>Welfare reform</b></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 (A2)	High (B2)	<p>Sarah McGill (Jane Thomas)</p>	<p>Councillor Lynda Thorne Housing &amp; Communities</p>
<p><b>Cyber Security</b></p> <p>Three of the eleven areas of a Cyber Security assessment underpinning the corporate risk have been identified as high risk as follows:</p> <p><b>Unsecure Configuration</b> - unauthorised access, changes and exploitation to systems.</p> <p><b>Monitoring</b> - inability to assess how and when systems are being used, leading to an ineffective response to deliberate attacks or accidental user activity.</p> <p><b>Corporate Cloud Security</b> - 2016 Internal Audit identified contract, SLA and service management weaknesses in externally hosted services.</p>	High (A1)	Medium (D1)	<p>Chris Lee (Phil Bear)</p>	<p>Councillor Chris Weaver Finance Modernisation and Performance</p>
<p><b>Waste Management</b></p> <p>Failure to meet statutory recycling targets and deliver cost effective compliance with waste management legislation.</p>	High (B1)	High (B2)	<p>Andrew Gregory (Matt Wakelam)</p>	<p>Councillor Michael Michael Clean Streets, Recycling and Environment</p>
<p><b>Schools Organisation Programme (Band B)</b></p> <p>Very large scale Capital Programme – Band B (£284m) with tight timescales for delivery, in context of very rapidly growing primary age school population.</p>	High (A1)	Medium (C2)	<p>Nick Batchelar (Janine Nightingale)</p>	<p>Councillor Sarah Merry Deputy Leader &amp; Education, Employment &amp; Skills</p>
<p><b>Business Continuity</b></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 (B1)	Medium (D1)	<p>Chris Lee</p>	<p>Councillor Huw Thomas Leader</p>
<p><b>Brexit</b></p> <p>The risk that Brexit (and any subsequent decisions) will create severe disruption to the City and hinder its ability to continue to deliver effective services and maintain community cohesion.</p>	High (A1)	High (B2)	<p>Senior Management Team</p>	<p>Cabinet Members</p>

Risk Description	Inherent Risk	Residual Risk	Risk Owner	Cabinet Member
<b>Ongoing Risks</b>				
<p><b><u>Non-completion of Statutory Building Equipment Maintenance</u></b></p> <p>RAMIS holds statutory obligations across the estate and is the central system for uploading of certificates and identifying and closing down remedial actions.</p> <p>The risk from statutory inspections lies with the cost of the remedial works which are required to maintain the premises, installation, equipment in a safe and legally compliant condition. However the visibility provided by RAMIS allows accurate evaluation of risk and targeting of funds available.</p>	High (A1)	High (B2)	Neil Hanratty	Councillor Russell Goodway Investment & Development
<p><b><u>Air Quality &amp; Clean Air Strategy</u></b></p> <p>Poor air quality is the most significant environmental determinant of health. 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 (A1)	High (B1)	Andrew Gregory (Gary Brown)	Councillor Caro Wild Strategic Planning & Transport
<p><b><u>Education Consortium &amp; Attainment</u></b></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 (B2)	Medium (B3)	Nick Batchelar (Jackie Turner)	Councillor Sarah Merry Deputy Leader & Education, Employment & Skills
<p><b><u>ICT Platforms Unsuitable/ Outdated</u></b></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 (A2)	High (B2)	Chris Lee (Phil Bear)	Councillor Chris Weaver Finance Modernisation and Performance
<p><b><u>Safeguarding</u></b></p> <p>Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners. Failure to comply with Court Orders.</p>	High (B1)	Medium (D1)	Sarah McGill  Claire Marchant  Davina Fiore	Councillor Huw Thomas Leader  Councillor Susan Elsmore Social Care, Health & Well-being  Councillor Graham Hinchey Children & Families  Councillor Chris Weaver Finance Modernisation and Performance
<p><b><u>Financial Resilience</u></b></p> <p>Failure to deliver a balanced annual budget and a fully informed Medium Term Financial Plan which would significantly weaken the financial resilience of the Council. The current outlook is that there is a Budget Gap of £105 million for the period 2020/21 to 2023/24.</p>	High (A1)	High (B2)	Chris Lee (Ian Allwood)	Councillor Chris Weaver Finance Modernisation and Performance



Risk Description	Inherent Risk	Residual Risk	Risk Owner	Cabinet Member
<p><b><u>Budget Monitoring (Control)</u></b></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 (A1)	High (B2)	Chris Lee (Allan Evans)	Councillor Chris Weaver Finance Modernisation and Performance
<p><b><u>Performance Management</u></b></p> <p>After considerable progress in both developing the way the organisation manages performance and in actual performance improvement, there is a need to focus on ensuring Performance Management practices are mature, embedded and consistently applied as the organisation looks to continue improving outcomes in the face of significant financial pressures.</p>	High (B2)	Medium (D2)	Chris Lee (Head of Performance & Partnerships)	Councillor Chris Weaver Finance Modernisation and Performance
<p><b><u>Health and Safety</u></b></p> <p>Improved corporate health and safety arrangements for key risks across the Council – require imbedding and ongoing monitoring.</p>	High (A1)	Medium (C2)	Chris Lee (Donna Jones)	Councillor Chris Weaver Finance Modernisation and Performance
<p><b><u>Climate Change &amp; Energy Security</u></b></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>	High (B1)	Medium (D1)	Andrew Gregory	Councillor Michael Michael Clean Streets, Recycling and Environment
<p><b><u>Coastal Erosion</u></b></p> <p>Breach of current defences resulting in widespread flooding.</p>	High (B1)	High (B1)	Andrew Gregory	Councillor Michael Michael Clean Streets, Recycling and Environment
<p><b><u>Information Governance</u></b></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>	High (A1)	Medium (D1)	Chris Lee (Vivienne Pearson)	Councillor Chris Weaver Finance Modernisation and Performance
<p><b><u>Increase in Demand (Children's Services)</u></b></p> <p>Failure to effectively manage demand resulting in increase in number of looked after children and the service and financial pressures this presents.</p>	High (B1)	High (C1)	Sarah McGill Claire Marchant	Councillor Susan Elsmore, Social Care, Health & Well-being Councillor Graham Hinchey Children & Families Councillor Chris Weaver Finance Modernisation and Performance
<p><b><u>Delivering Capital Ambition Programme</u></b></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>	High (B1)	Medium (D2)	Chris Lee (Dean Thomas)	Councillor Chris Weaver Finance Modernisation and Performance

Risk Description	Inherent Risk	Residual Risk	Risk Owner	Cabinet Member
<p><b><u>Legal Compliance</u></b></p> <p>Changes in services and staff roles across the Council resulting in:</p> <ul style="list-style-type: none"> <li>• gaps in Council wide knowledge of the local authority framework of responsibilities and duties within which we have to operate;</li> <li>• inability to deliver the services in accordance with all duties and responsibilities due to lack of resource:</li> </ul> <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>	<b>High (B2)</b>	<b>Medium (C2)</b>	<b>Davina Fiore</b>	<b>Councillor Huw Thomas</b> Leader
<p><b><u>Education – Schools Delegated Budgets</u></b></p> <p>Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans, impacting on the overall budgets for all schools.</p>	<b>High (B1)</b>	<b>High (B2)</b>	<b>Nick Batchelar</b> (Neil Hardee)	<b>Councillor Sarah Merry</b> Deputy Leader & Education, Employment & Skills
<p><b><u>Fraud, Bribery and Corruption</u></b></p> <p>Fraud, financial impropriety or improper business practices increase as internal controls are weakened as resources become severely stretched.</p>	<b>High (B2)</b>	<b>Medium (D2)</b>	<b>Chris Lee</b> (Ian Allwood)	<b>Councillor Chris Weaver</b> Finance Modernisation and Performance
<p><b><u>Workforce Planning</u></b></p> <p>Importance of forecasting and planning to build capability and capacity for the future is not fully recognised and embedded.</p>	<b>High (B2)</b>	<b>Medium (B3)</b>	<b>Chris Lee</b> (Philip Lenz)	<b>Councillor Chris Weaver</b> Finance Modernisation and Performance

Ref	Risk Description	Potential Impact	Inherent Risk	Current Controls	Residual Risk	Proposed Management Actions	Owner
1	<p><b>City Security</b></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 &amp; Safety / Financial / Partnership / Community &amp; Environment / Stakeholders</p> <p>Potential for:</p> <ul style="list-style-type: none"> <li>Large numbers of fatalities, injuries to public in crowded place.</li> <li>Extensive structural damage and/or collapse of surrounding buildings.</li> <li>Major fire.</li> <li>Damage/disruption to utilities (gas, electricity, water etc.)</li> <li>Immediate impact to businesses in the Cardiff area.</li> <li>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.</li> <li>Area to be viewed as a risk for potential future business investment.</li> <li>Inability to attract major future national and international events (political, sporting etc.)</li> <li>Increase in demand for council services/support for all affected.</li> <li>Current economic climate to reduce the effectiveness of any recovery/regeneration of the area.</li> </ul>	High (A1)	<ul style="list-style-type: none"> <li>All existing identified high risk; crowded places have been formally assessed.</li> <li>Some crowded places have an extremely limited and in some cases 'third party managed' access control process to operate them; providing little/no challenge.</li> <li>Crowded places have varying standards of boundary treatments protecting them; providing a limited/cursory visual deterrent but little/no protection from a hostile vehicle.</li> <li>CONTEST Protect/Prepare Task &amp; 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'.</li> <li>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.</li> <li>The estimated cost for the procurement and installation of the PAS 68/69 mitigation and ancillary services is £3.6 Million.</li> <li>Work is ongoing with City Operations to advise developers across the city in relation to appropriate mitigation required.</li> <li>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.</li> <li>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.</li> <li>Wales Extremism and Counter Terrorism Unit (WECTU) Counter Terrorist Security Advisor's (CTSA's), the Emergency Services &amp; 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.</li> <li>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.</li> </ul>	High (B1)	<ul style="list-style-type: none"> <li>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.</li> <li>The CONTEST Protect/Prepare Group will give a status report to the Cardiff CONTEST Board</li> <li>The CONTEST Board will continue to try to identify external funding sources/opportunities from Welsh Government and UK Central Government to conclude scheme and appropriately mitigate the risk.</li> <li>£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 delayed on some elements – planned completion now August 2018</li> <li>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.</li> <li>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</li> <li>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</li> <li>This in turn will allow partners to be more responsive to emerging funding opportunities</li> </ul>	Christine Salter (Head of Performance & Partnerships) & Andrew Gregory  Councillor Huw Thomas Leader
2	<p><b>Welfare reform</b></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 for under 21s and changes to the process 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"> <li>Private landlords stop renting to benefit claimants</li> <li>Social housing rents become unaffordable to some claimants, in particular those with large families.</li> <li>Increased homelessness and demand for temporary accommodation</li> <li>Increased rent arrears, increased evictions</li> <li>Redeployment / Severance for 140 benefits staff</li> <li>Changing demands on Council stock resulting in increased voids and/or undersupply of smaller properties.</li> <li>Barriers to building additional affordable housing</li> <li>Supported accommodation becomes unaffordable impacting on social services and vulnerable homeless clients.</li> </ul>	High (A2)	<ul style="list-style-type: none"> <li>Communities staff continue to work closely with private landlords and advice agencies to mitigate wherever possible the reduction in benefit.</li> <li>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.</li> <li>Timely information is being given to claimants to help them respond to the changes.</li> <li>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.</li> <li>The Welfare Liaison team within the housing service is in place 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.</li> <li>Universal Credit full service has commenced in Cardiff. Despite additional resources put in place rent arrears for council tenants have risen significantly since the change was implemented.</li> <li>The council is currently providing face-to-face services on behalf of the DWP including digital inclusion and budgeting advice, however funding for this is being cut from March 2019 and will transfer to CAB.</li> <li>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.</li> <li>The Inclusive Growth Board and subgroups are working well in coordinating multi-agency activity and developing appropriate interventions during a difficult transition period for many people affected.</li> <li>Briefings continue to be provided to Members on Welfare Reform and further information is sent as appropriate.</li> <li>Digital inclusion training and banking support has been successfully implemented and will continue to be monitored.</li> <li>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.</li> </ul>	High (B2)	<ul style="list-style-type: none"> <li>Further additional resource has been agreed for supporting council tenants following the implementation of Universal Credit Full Service as rent arrears have increased significantly, 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. This will be monitored over the coming months.</li> <li>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.</li> <li>Regular meetings are held with social housing providers to monitor and improve processes.</li> <li>DHP spend is being monitored carefully. Expenditure for 18/19 will continue focusing on the most vulnerable individuals, helping people with the transition into work and mitigating the risk of homelessness.</li> <li>Services for private landlords are being further developed to help prevent them withdrawing from the market.</li> </ul>	Sarah McGill (Jane Thomas)  Councillor Lynda Thorne Housing & Communities
3	<p><b>Cyber Security</b></p> <p>Three of the eleven areas of a Cyber Security assessment underpinning the corporate risk have been identified as high risk as follows:</p> <p><b>Unsecure Configuration</b> - unauthorised access, changes and exploitation to systems.</p> <p><b>Monitoring</b> - inability to assess how and when systems are being used, leading to an ineffective response to deliberate attacks or accidental user activity.</p> <p><b>Corporate Cloud Security</b> - 2016 Internal Audit identified contract, SLA and service management weaknesses in externally hosted services.</p>	<p><b>Reputational / Legal / Financial / Stakeholder / Service Delivery / Health &amp; safety</b></p> <p>The intent of cyber attackers includes, but is not limited to:</p> <ul style="list-style-type: none"> <li>financial fraud;</li> <li>information theft or misuse,</li> <li>activist causes to render computer systems intolerable and to disrupt critical infrastructure and vital services.</li> </ul> <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"> <li>An information governance breach (i.e. Stop Now Order, Information Notice, Enforcement Notice, Financial Penalty etc.)</li> <li>A business continuity incident – with a potential for major loss of service and legal, health and safety and financial implications.</li> <li>A financial / fraud related attack.</li> </ul> <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>	High (A1)	<p>The principal controls for the high risk areas are as follows:</p> <ul style="list-style-type: none"> <li><b>Secure Configuration</b> - Established secure baseline and compliance standards with centralised policies to secure user environments.</li> <li><b>Monitoring</b> - Minimal routine log analysis with incident reporting to ISB and discussed with IAO.</li> <li><b>Corporate Cloud Security</b> - Maturing PIA &amp; CIA process used to assess risks to data and technology solutions.</li> </ul> <p>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).</p> <p>The maturity self-assessment concludes that the Council has:</p> <ul style="list-style-type: none"> <li>strong malware prevention, user privileges and home and mobile working controls.</li> <li>adequate / mature risk management regime, network security, user education and awareness, removable media controls and incident management.</li> <li>a need for senior management team (SMT) to collectively assess the effectiveness of secure configuration, monitoring and corporate cloud security controls.</li> </ul> <p>The cyber security maturity assessment underpins this summary corporate risk and regular monitoring has commenced to drive risk-based prioritisation and actions.</p> <ul style="list-style-type: none"> <li>Escalated risks to SMT around secure configuration, monitoring and corporate cloud security controls to SMT and support for improvements agreed at the meeting.</li> <li>Risks monitored and escalated via Information Security Board as well as directorate management meetings and Senior Management Team (SMT).</li> <li>As part of improving user education and awareness, Information Asset Owners receive compliance reports relating to Bob's Business Data Protection training.</li> <li>Privacy Impact Assessments which include Cloud Impact Assessments are in place.</li> </ul>	Medium (D1)	<ul style="list-style-type: none"> <li>ICT and Information Governance (IG) Teams to continue to liaise with FM for physical security assurances and to promote an incident reporting culture.</li> <li>To enhance user education and awareness via Information Governance Seminars for each Directorate.</li> <li>To ensure strong ICT security, monitoring and cloud security controls: <ul style="list-style-type: none"> <li>ICT lifecycle and notification targets are being monitored and managed through the 'ICT Platforms' risk actions.</li> <li>Collaboration between ICT and IG to develop and map current ICT system providers in phased development of an Information Asset Register.</li> <li>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.</li> <li>Governance and management requirements to be formalised for periodic and systematic review of all ICT systems.</li> <li>SIRO to review / consider Cloud Infrastructure to ensure: <ul style="list-style-type: none"> <li>Effective governance and management.</li> <li>Resource, risk appetite and outcomes required.</li> </ul> </li> <li>Education of business systems owners in risk and management of cloud based services.</li> </ul> </li> <li>Cyber Security Awareness training videos to be made available to council officers via e-learning portal. Key areas to be covered: GDPR; good password practice; internet security; scamming information and when to seek advice.</li> </ul>	Christine Salter (Phil Bear)  Councillor Chris Weaver Finance Modernisation and Performance

Ref	Risk Description	Potential Impact	Inherent Risk	Current Controls	Residual Risk	Proposed Management Actions	Owner
4	<p><b>Waste Management</b></p> <p>Failure to meet statutory recycling targets and deliver cost effective compliance with waste management legislation</p>	<p><b>Consequence:</b></p> <p><b>Financial</b></p> <ul style="list-style-type: none"> <li>- penalties and loss of grant support</li> <li>- continuing financial costs to service due to ongoing investigation</li> <li>- accurate measuring, and meeting landfill tax contingent liability</li> </ul> <p><b>Legal &amp; Regulatory</b></p> <ul style="list-style-type: none"> <li>- Failure to comply with EU recycling waste directive, leading to sanctions, penalties or interventions</li> </ul> <p><b>Strategic/ Reputational</b></p> <ul style="list-style-type: none"> <li>- reputational consequence with citizens and key stakeholders</li> </ul>	High (B1)	<p>The foundations of the current controls (as documented at Q4 17/18) are within the Recycling Waste Management Strategy 2015-2018, located on the council's website:  <a href="https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Documents/CAB%20Appendix%201%20-%20Recycling%20Waste%20Management%20Strategy%202015%20Eng.pdf">https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Documents/CAB%20Appendix%201%20-%20Recycling%20Waste%20Management%20Strategy%202015%20Eng.pdf</a></p> <p><b>Current Controls as at Q1 18/19:</b></p> <p><b>Recycling Development:</b></p> <ul style="list-style-type: none"> <li>- Consultation of Waste &amp; Recycling Strategy 2018-2021 has been completed and presented to Cabinet.</li> <li>- Implementation of In-Cab and tachograph system is partly complete, which will improve service delivery through real time technology, optimisation of routes and identification of waste contamination.</li> <li>- The newly installed Auto Sorter for mixed plastics/ fibre products became operational (July 2018) and will improve processing efficiency, reduce rejects and increase recycling.</li> <li>- Modelling has been undertaken on best option for managing co-mingled recycling issue, with twin stream concluded as best option</li> <li>- Ongoing mgt of Cardiff Organic Waste Treatment contracts (Kelda/ Dwr Cymru) for an Anaerobic Digestion (AD) facility and Open Window Composting (OWC) facility to treat source-separated food and green/garden wastes respectively, over a 15 year period</li> <li>- Education taking place across Cardiff with focus on key areas for recycling improvement.</li> <li>- intervention plan developed to move from 58-64% recycling</li> <li>- Glass trial pilot has been completed and reviewed</li> </ul> <p><b>Wider Governance &amp; Compliance:</b></p> <ul style="list-style-type: none"> <li>- Ongoing investigation in the Waste function has been robustly serviced, and is following a number of lines of enquiry, through which the governance process is being rigorously reviewed.</li> <li>- A prudent valuation for a contingent landfill tax liability together with other potential impacts on the Council's accounts are in the process of being quantified with the support of external consultants (PWC), senior and specialist officers in the Council's accountancy function.</li> <li>- Prosiect Gwyrdd (Cardiff Council in partnership with other L.A's) - ongoing mgt of contract over 25 years with Viridor, who will produce energy from the remaining 'black bag' waste which historically has gone to landfill, providing the best environmental, cost effective and practical solution for waste after recycling/ composting has been maximised (22% recycling from bottom ash)</li> <li>- Senior Management have worked with WG on explaining the current position and the improvements being put in place</li> <li>- Introduction of improvements in weighbridge and data systems holding data on waste movements, to improve data management and ease collation of data.</li> </ul>	High (B2)	<p><b>Recycling Development:</b></p> <ul style="list-style-type: none"> <li>- Actions from the Waste &amp; Recycling Strategy 2018-2021 to be part of programme monitoring for meeting recycling targets.</li> <li>- Completion of In-Cab technology implementation &amp; training</li> <li>- Application for funding to extend the Glass trial pilot to end of year and for next year for citywide roll out</li> <li>- A targeted approach to education that is aligned with enforcement to support the removal of contamination from the recycling stream. This may be in a blitz approach to target key areas of concern - will commence Q4</li> <li>- Media campaign to promote/encourage removal of contamination from recycling material by citizens - will commence Q4</li> </ul> <p><b>Wider Governance &amp; Compliance:</b></p> <ul style="list-style-type: none"> <li>- Work is ongoing to review the Waste Data Flow team resourcing to ensure it is sustainable and can provide information in a timely manner. Senior Management continue to work with WG on explaining the current position and the improvements being put in place</li> <li>- Work is on going in relation to the Governance of Waste Data Flow review and development of a senior management role within new structure, providing leadership in the area of Waste Data Flow.</li> <li>- Senior Management to have ongoing regular engagement and discussions with WG on Cardiff's Waste Strategy and compliance with the WG Blueprint. WRAP and CC developing a mandate</li> <li>- Ongoing commitment to working with PWC and senior and specialist officers in the Council's accountancy function in relation to landfill tax contingent liability</li> </ul>	Andrew Gregory (Matt Wakelam)
5	<p><b>Schools Organisation Programme (Band B)</b></p> <p>Very large scale Capital Programme – Band B (£284m) with tight timescales for delivery, in context of very rapidly growing primary age school population.</p>	<p>Reputational / Legal / Financial / Social / Stakeholder / Health &amp; safety.</p> <ul style="list-style-type: none"> <li>• Insufficient secondary places in some central area of the City.</li> <li>• Insufficient places in ALN settings across the City, leading to costly placement in out of county &amp; private settings.</li> <li>• School Buildings that are not suitable for teaching and learning</li> <li>• Further degeneration of school buildings &amp; rise in assert management backlog</li> <li>• Three category "D" condition buildings, that are classed as end of life failing &amp; being closed with hundreds of displaced students across the City.</li> <li>• Reducing educational standards.</li> <li>• Risk that insufficient capacity in team to deliver the very large programme.</li> <li>• Project cost and time overruns</li> <li>• Risk that Welsh Government do not approve individual project funding if not satisfied with Business Cases.</li> </ul>	High (A1)	<ul style="list-style-type: none"> <li>• 21st Century Schools Band B funding bid was submitted to Welsh Government in July 2017 and the Strategic Outline Case for £284m was approved in November 2017. Two Cabinet Reports in October and December 2018 outlined the priorities for this second phase of funding.</li> <li>• Robust governance model, in line with Corporate Landlord being agreed.</li> <li>• Arup report commissioned to look at Governance &amp; capacity issues within the SOP team, will report on recommendations to Cabinet in May 2018.</li> <li>• Head Teachers &amp; Chairs of Governors of those schools involved in Band B briefed on process and timescales.</li> <li>• Band B Delivery Group and School Development group formed internally to look corporately at issues including legal title, highways &amp; transportation and planning.</li> <li>• Technical feasibility and design work underway with assistance from Mott McDonald and Stride Treglown architects.</li> <li>• Finance preparing the capital profiles for submission to Welsh Government and to monitor draw down and spends.</li> <li>• Strategic Estates Department commissioned to achieve capital receipts of £25m to assist in funding the capital programme.</li> <li>• Developing an enhanced asset management regime for the three "D" category High Schools, Fitzalan, Cantonian and Willows, in order to ensure that they remain as safe teaching and learning environments until such time as the buildings are replaced.</li> <li>• Developing a robust procurement strategy for this large scale programme.</li> </ul>	Medium (C2)	<p>All risks are being monitored and reported to Band B Delivery Group.</p> <p>Formal Governance via a Schools Programme Board and Project Boards, being established.</p> <p>Strengthening of the capacity of the SOP team critical to ensuring effective delivery of the programme. This includes ensuring that corporate colleagues in departments including legal, strategic estates, ICT, planning and highways and transportation are available.</p> <p>Continued active dialogue with Welsh Government and other professional parties to support progress and development.</p> <p>Prioritise population data development to support accurate projections and forecasts for existing resident populations and to support effective s106 negotiations going forward.</p> <p>Ensure consistent monitoring and reporting of all risks to Schools Programme Board.</p> <p>All risks are being monitored and reported to Band B Delivery Group.</p> <p>Formal Governance via a Schools Programme Board and Project Boards, being established.</p> <p>Strengthening of the capacity of the SOP team critical to ensuring effective delivery of the programme. This includes ensuring that corporate colleagues in departments including legal, strategic estates, ICT, planning and highways and transportation are available.</p> <p>Continued active dialogue with Welsh Government and other professional parties to support progress and development.</p>	<p>Nick Batchelar (Janine Nightingale)</p> <p>Councillor Sarah Merry Deputy Leader &amp; Education, Employment &amp; Skills</p>

Ref	Risk Description	Potential Impact	Inherent Risk	Current Controls	Residual Risk	Proposed Management Actions	Owner
6	<p><b>Business Continuity</b></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 &amp; safety</p> <ul style="list-style-type: none"> <li>Health and Safety – potential impact on staff and on the public relying on our most, time sensitive, critical services.</li> <li>Legal action -Failure of key services could lead to Legal action against the council.</li> <li>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.</li> <li>Reputational - Impact on key services to the public could lead to significant reputational damage to the organisation.</li> <li>Stakeholder – Impact on key stakeholders as result of failure.</li> <li>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.</li> </ul>	High (B1)	<ul style="list-style-type: none"> <li>The Council has a BCM Champion who sponsors BCM at a strategic level and is actively supporting the BCM Programme.</li> <li>We have an approved Business Continuity Policy which is aligned to ISO22301.</li> <li>BCM Intranet web page.</li> <li>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.</li> <li>The Council has employed a Business Continuity Officer (appointed October 2010). The officer is a qualified ISO22301 lead auditor.</li> <li>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.</li> <li>The Council has a 24 hour Incident Management structure for Gold and Silver Officers.</li> <li>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.</li> <li>87 % of our most time sensitive activities (Reds) now have Business Continuity plans which have met, or are going through, audit. Work on the remaining plans is ongoing to close gaps and bring them up to date and in line with the corporate audit requirement</li> <li>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.</li> <li>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.</li> <li>Internal Audit completed an audit of the Business Continuity Risk in September 2018 and the assurance statement was Effective with opportunity for improvement. Three key actions were identified and an action plan has been agreed to address the improvement opportunities, two of these actions have now been completed with the final eon due before the Year end.</li> <li>The Corporate Incident Management structure and many individual team Business Continuity Plans were tested in the two extreme snow events of March 2018, the value of the incident management structure and the business continuity work was recognised in the outcomes of the structured debrief following the two snow incidents.</li> <li>Targeted specific actions are being undertaken to enhance resilience around our severe weather response capability, these should be in place by winter 2018.</li> <li>The Business Continuity Officer is preparing ready to support our Directorates with our most time sensitive activities to consider and plan for any impacts around Brexit, this preparation is on going.</li> </ul>	Medium (D1)	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>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.</li> <li>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.</li> <li>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.</li> <li>The Emergency Management Unit propose enhancing our wider Business Continuity and Resilience work through the development of a separate but council hosted and developed EVAC Cardiff website, building on the strength of our existing EVAC Cardiff work which will support our main resilience work streams, building on the success of the EVAC Cardiff APP. This will complement our existing work with partner agencies in this area and aims to support the wider public in being more aware and empowered around their own and their community's resilience. This work should be complete by end of Quarter 2 2018/2019.</li> <li>The BC officer is leading a review of 4x4 resources across the council to support our response capability to future winter storms.</li> </ul>	Christine Salter  Councillor Huw Thomas Leader
7	<p><b>Non-completion of Statutory Building Equipment maintenance</b></p> <p>RAMIS holds statutory obligations across the estate and is the central system for uploading of certificates and identifying and closing down remedial actions.</p> <p>The risk from statutory inspections lies with the cost of the remedial works which are required to maintain the premises, installation, equipment in a safe and legally compliant condition. However the visibility provided by RAMIS allows accurate evaluation of risk and targeting of funds available.</p>	<p>Potential consequences of non-compliance with statutory maintenance:</p> <ul style="list-style-type: none"> <li>Fatalities or serious injuries</li> <li>Closure of part or whole of facilities with major disruption to service delivery</li> <li>HSE interventions and consequential actions including fines and prosecution;</li> <li>Significant additional expenditure requiring realignment of Corporate budgets;</li> <li>Temporary relocation of staff</li> <li>Temporary loss of operational service</li> <li>Invalidation of insurance policy</li> <li>Serious adverse impact on reputation</li> <li>Damage to fabric of building or other equipment</li> </ul>	High (A1)	<p>Contractor</p> <ul style="list-style-type: none"> <li>Statutory Planned Preventative Maintenance (PPM) undertaken by competent contractor. Consequential remedial work identified on test certificates.</li> <li>Improved statutory maintenance contracting arrangements in place in Qtr 1 inc. use of SFG 20 as specification for statutory obligations testing and new risk based specification for legionella management supported by RAMIS.</li> <li>FM competent person(s) review all test certificates, remedial work captured and communicated to client as necessary/applicable</li> <li>Statutory Obligations Team has been established within Building Services to improve monitoring and supervision of statutory obligations contractor. Contractors have been trained in the use of RAMIS in order for test certs to be uploaded directly to the system by contractors.</li> </ul> <p>RAMIS IT Software</p> <ul style="list-style-type: none"> <li>RAMIS implemented across the Council with bi-monthly reporting on statistics to SMT;</li> <li>200 Building Managers have received training in their responsibilities and use for the RAMIS system, including schools estates staff and Headteachers.</li> <li>Full time officer Administrating RAMIS, providing training and issuing reports from the system to all service areas to push compliance ratings up to a minimum of 80% set by SMT.</li> <li>RAMIS has been embraced by Service Areas and will ensure that the Council is aware of compliance position on any given asset to avoid any risks to building users and the organisation.</li> </ul> <p>Statutory Obligation Compliance</p> <ul style="list-style-type: none"> <li>Electrical Safety Policy Implemented by H&amp;S.</li> <li>Electrical testing and works monitored/supervised by qualified internal staff.</li> <li>Electrical certificates received and reviewed by qualified internal staff.</li> <li>C1/C2 electrical remedial works identified through testing dealt with appropriately and immediately by contractor undertaking electrical works.</li> <li>PPM Certificates uploaded to RAMIS.</li> </ul> <ul style="list-style-type: none"> <li>Spreadsheet database recording property holdings and the status of statutory obligation compliance across entire Council estate integrated into RAMIS.</li> <li>Currently reporting on RAMIS comprises of compliance against 5 main high risk disciplines;</li> <li>Gas Safety</li> <li>Fire (all disciplines)</li> <li>Legionella (Risk Assessment and water quality checks)</li> <li>Fixed electrical systems</li> <li>Top slicing of schools budget to cover the five high-risk disciplines, under review to ensure sufficient funds are available.</li> <li>New in-house Statutory Obligations Team set up to manage the undertaking of the statutory obligations surveys/work across the Council. (David Lowe)</li> </ul> <p>Schools Building Maintenance</p> <ul style="list-style-type: none"> <li>Handbook detailing roles and responsibilities for safe management and maintenance of school premises, plant and equipment has been updated and issued to schools.</li> </ul> <p>Corporate Landlord Programme</p> <ul style="list-style-type: none"> <li>Corporate Landlord Model Programme Brief approved by the Programme Board – objective to create one point of contact in the Council to lead on all property matters across the Council's estate.</li> <li>Implementation of the Corporate Landlord Programme commenced 2017/18.</li> </ul> <p>Conditions Survey of Non Domestic Buildings</p> <ul style="list-style-type: none"> <li>This work is ongoing through 2018/19.</li> </ul> <p>Client Liaison Officers</p> <ul style="list-style-type: none"> <li>Client Liaison Officers have impacted positively on building relationships between with schools and other customers/clients, in particular the management/commissioning of statutory obligations and PPM.</li> </ul>	High (B2)	<p>Contractor</p> <ul style="list-style-type: none"> <li>Establish a contractor Forum for RAMIS to meet 6 monthly following training. (Donna Jones)</li> </ul> <p>Statutory Obligation Compliance</p> <ul style="list-style-type: none"> <li>Continue to commission investigations / work to complete required compliance testing (and works required) in respect of 'gaps' in compliance identified by reports from RAMIS. (Donna Jones / David Lowe)</li> <li>Complete the mandatory Building Managers sessions to ensure that all Council building Duty Holders have a clear understanding of their statutory obligations compliance responsibilities (by end of Qtr 2) (Donna Jones)</li> <li>Continue with the conditions surveys of the non-domestic buildings (complete 18/19). (Helen Thomas)</li> </ul> <p>Landlord / Occupancy Agreement</p> <ul style="list-style-type: none"> <li>Complete Landlord/Occupancy Agreement template and roll out Qtr2/3 18/19. This will set out principle occupant and landlord permissions responsibilities and Permission for Works arrangements required. (Helen Thomas)</li> </ul> <p>Corporate Landlord Programme</p> <ul style="list-style-type: none"> <li>Finalise and implement the new corporate management structure to deliver a corporate Landlord</li> </ul>	Neil Hanratty Councillor Russell Goodway Investment & Development

Ref	Risk Description	Potential Impact	Inherent Risk	Current Controls	Residual Risk	Proposed Management Actions	Owner
8	<p><b>Air Quality &amp; Clean Air Strategy</b></p> <p>- Poor air quality is the most significant environmental determinant of health. 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. 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. Cardiff does not comply with legal standards of NO2, and the primary source of the pollution is road transport emissions, particularly diesel vehicle emissions. Cardiff currently falls short of the required limits and although improvements are being seen, non-compliance of the legal limits is projected beyond 2020. Inability to secure funding to undertake full feasibility study through to implementation of mitigation measures</p> <p>- The timescale for completing the technical work on compliance of nitrogen dioxide limits required under the direction from Welsh Government is extremely challenging</p>	<p><b>Consequence:</b></p> <p>- No improvement to air quality, leading to:</p> <p><b>Legal &amp; Regulatory / Financial</b></p> <p>- breach of legal / statutory requirements</p> <p>- Potential significant financial penalty</p> <p><b>Health &amp; Safety</b></p> <p>- No improvement to health</p> <p>- Increased burden on health care</p> <p>- Further deterioration of related health conditions</p>	High (A1)	<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 draft strategy has been developed which outlines the strategic measures required to address the air quality issues in Cardiff, summarised as follows:</p> <ul style="list-style-type: none"> <li>- LDP Policies adhered to (KP18, EN13), Develop and finalise relevant SPG to improve AQA, additional relevant SPGs</li> <li>- Transport strategy- reducing congestion, Car clubs, 20mph zones, changing behaviours</li> <li>- Active Travel Improvements - increase Cycling and Walking</li> <li>- Public Transport Improvements - Buses, Metro, Trains, school travel plans, behaviours</li> <li>- 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.</li> </ul> <p>Cardiff's Transport &amp; Clean Air Green Paper 'Changing how we move around a growing city' has also been developed and consulted on.</p> <p>WG Direction:</p> <p>Following the receipt of the Formal Direction from Welsh Government a Cabinet Report titled Air Quality – Welsh Government Direction was submitted and approved by Cabinet on 28th March 2018. The initial proposal setting out the case for change was submitted to Welsh Government on the 28th March 2018 to meet the requirement to submit before the 31st March 2018. This included the identification of governance, associated resource requirements, the scope of work, procurement approach, indicative costing's and timeline.</p> <ul style="list-style-type: none"> <li>- ANPR survey has been completed and data analysed.</li> <li>- Consultants for both Air Quality and Traffic Modelling have been procured.</li> <li>- baseline position established for Cardiff utilising the ANPR data and transport model (July 2018)</li> <li>- feasibility plan submitted on 30th September 2018.</li> <li>- further modelling of NS movements was not necessary as the fine tuning of the baseline resulted in there not being an issue on the A470/North Road.</li> </ul> <p>A number of Active Travel and Transport mitigations have already been implemented:</p> <ul style="list-style-type: none"> <li>- 20 mph zones in Cathays, Gabalfa, Canton and Riverside</li> <li>- Launch of bike hire scheme and installation of 250 Next Bikes in the city centre, with usage uptake extremely positive</li> <li>- Car free day to promote active and alternative travel</li> <li>- Active Travel improvement schemes at various locations, to enable and promote safe and sustainable travel to school etc</li> <li>- A4119 Ph 2b Bus priority measures at Cathedral Rd</li> <li>- Pilot of segregated cycle lane at Maes y Coed Rd</li> </ul>	High (B1)	<p>- The outcomes of the Transport &amp; Clean Air Green Paper consultation will be used alongside the feasibility study outcomes to inform the development of a White Paper on Transport and Clean Air - work is ongoing and will be published in April/ May (PC leading on this)</p> <p>- ongoing development and implementation of programme of active travel and transport improvements</p> <p>- Modelling is now underway for a charging clean air zone as a benchmark against the proposed mitigation measures. Two CAZ options are being modelled.</p> <p>- Decision to be made on the proposed measures to produce an outline business case by the end of March to enable the full business case to be submitted to WG by the end of June 2019.</p>	<p>Andrew Gregory</p> <p>(Gary Brown)</p> <p>Councillor Caro Wild, Strategic Planning &amp; Transport</p>
9	<p><b>Education Consortium &amp; Attainment</b></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"> <li>• Budget implications.</li> <li>• Educational standards falling behind other LA's.</li> <li>• Potential impact on Estyn judgement for LA.</li> <li>• Intervention from WG</li> </ul>	High (B2)	<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> <p>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> <ul style="list-style-type: none"> <li>• The 2018/2019 delegated budget allocations were issued to schools in early March 2018 and monitoring arrangements put in place for those schools showing financial concern.</li> <li>• 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.</li> <li>• 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</li> <li>• Officers continue to monitor and challenge those schools in deficit before allowing any additional financial commitments, both staffing and other expenditure.</li> <li>• 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.</li> <li>• 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</li> <li>• 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</li> <li>• Individual school budget monitoring positions reported to Education Management Team on a quarterly basis</li> <li>• 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.</li> <li>• 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 2018/19 school budget letters and the 2018/19 Budget Report.</li> <li>• Finance Officers continue to meet with Challenge Advisers to discuss individual schools in respect of their financial and school standard performance.</li> <li>• 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 17/18 have been identified as requiring meeting with S151 officer and senior education officers. These meetings took place in April and early May.</li> <li>• The Council will also introduce an increased level of scrutiny of school curriculum plans through support identified with the Central South Consortium.</li> </ul>	Medium (B3)	<ul style="list-style-type: none"> <li>• Officers will continue to ensure the agreed commissioning arrangements are refreshed and delivered and impact positively on the performance of schools.</li> <li>• 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 2018-2019.</li> <li>• Local Authority officers and members of the Consortium have already identified the need to commission more comprehensive support for Governors and support for Federations.</li> </ul>	<p>Nick Batchelar (Jackie Turner)</p> <p>Councillor Sarah Merry Deputy Leader &amp; Education, Employment &amp; Skills</p>

Ref	Risk Description	Potential Impact	Inherent Risk	Current Controls	Residual Risk	Proposed Management Actions	Owner
10	<p><b>ICT Platforms Unsuitable/ Outdated</b></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><b>Reputational / Financial / Stakeholder / Service delivery</b></p> <ul style="list-style-type: none"> <li>Loss of PSN services.</li> <li>Service delivery impacts from unreliable/unavailable ICT systems</li> <li>Cardiff seen as unable to deliver on aspirations</li> <li>Poor morale from frustrations with inability to deliver services.</li> <li>Potential for income losses from revenue collection impacts.</li> <li>Unable to meet delivery deadlines on both business as usual and transformation projects.</li> </ul>	High (A2)	<ul style="list-style-type: none"> <li>Spending complete for renewal/upgrade of highest risk items, in particular firewalls, core servers/switches and external bandwidth.</li> <li>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.</li> <li>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).</li> <li>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.</li> <li>Corporate file storage systems replaced and new disk to disk backup option installed to improve performance and resilience.</li> <li>Due to mitigation actions so far to reduce the risk, the risk of critical service downtime has been reduced.</li> <li>Additional load balancers to be purchased for application resilience in key systems.</li> <li>Full renewal programme for all desktop, software, network, servers, and telephones, appropriate to Cardiff's ambitions and resources.</li> <li>Continued assessment of priorities for replacement – applications infrastructure and servers are the next priority.</li> <li>Completed refresh of existing SAP, thin client and virtual server farms.</li> <li>Assessment of equipment required replacing to maintain PSN compliance.</li> <li>Further revenue and capital investment in 2018-20.</li> <li>Completed migration of VM infrastructure over to Pure Storage.</li> <li>Completed migration of users from old remote access service to new solution.</li> </ul>	High (B2)	<ul style="list-style-type: none"> <li>Development of lifecycle monitoring and clearer customer engagement.</li> <li>Pilot leasing scheme within schools to be considered for corporate desktop estate.</li> <li>Breakdown of costs to remediate to be generated and reviewed. To include workstation replacement costs, supporting network infrastructure and server infrastructure.</li> </ul>	Christine Salter (Phil Bear)  Councillor Chris Weaver Finance Modernisation and Performance
11	<p><b>Safeguarding</b></p> <p>Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners. Failure to comply with Court Orders.</p>	<p>Reputation / Financial / Stakeholders / Service delivery / Legal / Partnership / Community</p> <ul style="list-style-type: none"> <li>A child/ren or adult/s suffers avoidable significant harm or death.</li> <li>Reputation of Council and partners.</li> <li>Severe adverse publicity.</li> <li>Potential regulator intervention.</li> <li>Loss of confidence by the community in the safety of children and adults.</li> <li>Loss of confidence of staff in the overall "safety" of the service, impacting on morale, recruitment and retention.</li> <li>Potential litigation with associated financial penalties</li> <li>Significant financial implications of formal intervention</li> </ul> <p>In addition to the above:</p> <ul style="list-style-type: none"> <li>Being held in contempt of court</li> <li>Imprisonment</li> <li>Unlawful detention of persons</li> <li>Payment of costs/damages</li> <li>Professional reputation of staff</li> <li>Recruitment problems</li> </ul>	High (B1)	<ul style="list-style-type: none"> <li>Embedding the Social Services &amp; Wellbeing (Wales) Act 2014 in relation to the strengthening of adult safeguarding.</li> <li>Strategic review of safeguarding governance across the region completed in partnership with the Vale of Glamorgan Council.</li> <li>Strategic review of the functioning of the Regional Safeguarding Adults Board completed.</li> <li>Ongoing implementation of the Child Sexual Exploitation Strategy.</li> <li>Implementation of the Corporate Safeguarding Board work programme.</li> <li>Growth proposals for operational safeguarding capacity included in 2017/18 budget.</li> <li>Cardiff Council hosting the All Wales Adult and Child Protection Procedure re-write.</li> <li>Raising profile of Adult Sexual Exploitation (ASE) in Adult Services in line with the Child Sexual Exploitation (CSE) Strategy.</li> <li>Draft Annual Plan for Regional Adults / Children's Safeguarding Board.</li> <li>WG convened training for authorised officers to undertake APSO Training.</li> </ul> <ul style="list-style-type: none"> <li>Embedding the Social Services &amp; Wellbeing (Wales) Act 2014 in relation to the strengthening of adult safeguarding.</li> <li>Ongoing implementation of the Child Sexual Exploitation Strategy.</li> <li>Raising profile of Adult Sexual Exploitation (ASE) in Adult Services in line with the Child Sexual Exploitation (CSE) Strategy.</li> <li>Review of adult safeguarding undertaken and management strengthened.</li> <li>Systems in place to learn lessons from and address recommendations from child practice reviews, adult practice reviews and multi agency practitioner forums</li> <li>Monthly quality and performance review across all areas of social services</li> <li>Annual Plan for Regional Adults / Children's Safeguarding Board.</li> <li>SBAR system implementation to understand and address significant risks, including safeguarding risks, in social services</li> <li>Recruitment and retention strategy in place to address children's workforce issues</li> <li>Action plan being delivered to address high caseloads in Children's Services.</li> <li>Refreshed signs of safety action plan in place.</li> </ul>	Medium (D1)	<ul style="list-style-type: none"> <li>Awaiting on WG to convene training in relation to Adult Protection Orders for wider awareness for other staff.</li> <li>Review of Adult Protection Procedures is ongoing following a full Board meeting, held 5.6.18.</li> <li>Draft Annual Plan is with the Business Unit, in preparation for the Boards.</li> </ul> <p>Regular performance monitoring meetings with Children's Social Services have been arranged.</p> <p>Process and escalation procedures agreed for Children's work, to be agreed with adults.</p> <ul style="list-style-type: none"> <li>Cardiff local operational safeguarding group being developed to lead effective multi-agency safeguarding arrangements in Cardiff reporting to the Regional Safeguarding Board and Steering Group.</li> <li>Improving Outcomes for all our Children Steering Group chaired by Chief Executive to be established to oversee performance to improve outcomes for Cardiff's most vulnerable children.</li> <li>Implementation of revised Corporate Safeguarding Policy and action plan arising from internal audit of corporate safeguarding.</li> <li>Additional investment in corporate safeguarding to address recommendations from internal audit report.</li> <li>Cardiff Council hosting the All Wales Adult and Child Protection Procedure re-write.</li> <li>Regular performance monitoring meetings with Children's Social Services have been arranged. Process and escalation procedures agreed for children's work, to be agreed with adults.</li> </ul> <p>DDP 2018/19 update :</p> <ul style="list-style-type: none"> <li>Ensure children and adults are protected from risk of harm and abuse by raising awareness among public and professionals of safeguarding issues for the duration of the plan (CP6 -SS)</li> <li>Ensure children and adults are protected from risk of harm and abuse by revising the Child Sexual Exploitation Strategy by March 2019 to encompass new and emerging themes of child and adult exploitation (CP7-SS)</li> <li>Renew the safeguarding vision and strategy across the Directorate by March 2019 in order to take account of new national policy and practice guidance currently under development (DP5-SS)</li> <li>Commission an independent review of the effectiveness of the Multi Agency Safeguarding Hub (MASH) in consultation with the Regional Safeguarding Boards and consider recommendations for change / improvement with a view to implementing changes by March 2020 (CP8-CS)</li> <li>Review and develop mechanisms to improve engagement with communities at large and faith communities in particular by March 2019 to improve the safeguarding of children across the various communities in Cardiff (CP6 -SS)</li> <li>Embed strengthened Adult Protection procedures in consultation with staff and partners by March 2019 to ensure that adults are protected from harm(CP7-AS)</li> <li>Ensure that the Council's Corporate Safeguarding Strategy is implemented (CP17-SS)</li> </ul>	<p>Sarah McGill &amp; Claire Marchant &amp; Davina Fiore</p> <p>Councillor Huw Thomas Corporate Governance</p> <p>Councillor Susan Elsmore Social Care, Health &amp; Well-being</p> <p>Councillor Graham Hinchey Children &amp; Families</p> <p>Councillor Chris Weaver Finance Modernisation and Performance</p>

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Ref	Risk Description	Potential Impact	Inherent Risk	Current Controls	Residual Risk	Proposed Management Actions	Owner
12	<p><b>Financial Resilience</b></p> <p>Failure to deliver a balanced annual budget and a fully informed Medium Term Financial Plan which would significantly weaken the financial resilience of the Council.</p> <p>The current outlook is that there is a Budget Gap of £91 million for the period 2019/20 to 2021/22.</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> <li>• Risk of failing to meet statutory obligations.</li> <li>• 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.</li> <li>• Risk that settlement figures will not be as anticipated giving an element of uncertainty to any proposals from Cabinet during public consultation and beyond.</li> <li>• 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.</li> <li>• Risk that financial constraints and budget proposals result in unintended consequences such as increased instances of non-compliance and financial impropriety.</li> <li>• Risk that annual budget settlement frustrates medium / longer-term planning and that the cycle does not integrate with other business cycles and vice versa.</li> <li>• Risk that Medium Term Savings are not identified in a coherent, strategic way which impacts on service delivery.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• The risk of financial intervention and increasing adverse impacts on the community of Cardiff that rely on the services being delivered by the Council.</li> </ul>	High (A1)	<p>2019/20 and Medium Term</p> <ul style="list-style-type: none"> <li>• The Council has a Financial Resilience Mechanism of £4m, which will be put into operation in the event of the Budget Settlement being 1% worse than expected. This mechanism avoids the need to identify additional directorate savings at short notice and allows time to be allocated for greater level of savings to be delivered.</li> <li>• The final 2018/19 Budget was underpinned by Directorate Savings of £14.296m, Use of earmarked Reserves £2.35m and Council Tax at 5%. Robust Monitoring mechanism will consider Month 3 position in order to inform the first Cabinet report in September 2018.</li> <li>• The MTFP set out in the 2018/19 Budget Report and now highlights an estimated Budget Reduction Requirement of £91.403m for the medium term (2019/20-2021/22)</li> <li>• 2019/20 Budget Strategy considered at Cabinet on 5 July 2018. Potential budget proposals being developed by Directors and being shared informally with Cabinet for further consideration over the summer period.</li> <li>• Close working with Policy team in respect of alignment with Corporate Plan and duties under Wellbeing of Future Generations Act.</li> <li>• Budget Proposals supplemented by work in partnership with Chief Digital Officer and a roll out of focussed Service Reviews in order to identify savings. Further diligence in respect to the rating of risk of each saving proposal but the responsibility for detail and achievability remains with the directorate.</li> <li>• The Council regularly reports in relation to its financial performance and monitoring.</li> <li>• The Wales Audit Office identified that the Council has a transparent and effective savings approach which supports financial resilience being achieved.</li> <li>• 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 (Feb 18), Budget Strategy (Jul) and to Audit Committee.</li> </ul>	High (B2)	<p>2019/20 and Medium Term</p> <ul style="list-style-type: none"> <li>• Work continues to ensure a set of proposals come forward for 2019/20 and the medium term, which provides a level of assurance that the budget gap for the medium term can be risk managed and bridged.</li> <li>• Continue the work that has commenced in respect to developing proposals for 2019/20, 2020/21 and the Medium Term. This will include alignment with the Digital Board, Service Review board and Senior Management Team.</li> <li>• Budget work will also need to link in with the demands of the Wellbeing of Future Generations Act as well as building on further work to ensure greater visibility of engagement with Cardiff citizens through events and the Ask Cardiff Survey.</li> <li>• Continue to maintain close alignment with objectives of the Corporate Plan and the Capital Ambition Delivery Team 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.</li> <li>• Continue to refresh assumptions at key stages as relevant information becomes available.</li> <li>• Key stakeholders are briefed on this position and financial triggers against this snapshot continue to be developed and reviewed.</li> <li>• 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.</li> <li>• Links between the MTFP, CADP, Service Plans and Improvement Plans continue in order to further build on work already undertaken in the Budget Strategy Work Programme.</li> </ul>	Christine Salter (Ian Allwood)  Councillor Chris Weaver Finance Modernisation and Performance
13	<p><b>Budget Monitoring (Control)</b></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"> <li>• Inability to balance spend, against budget, for the financial year.</li> <li>• Requirement to implement emergency measures to reduce spending during the financial year thus adversely impacting on ability to meet corporate plan objectives.</li> <li>• Requirement to drawdown from General Reserves at the year end.</li> </ul>	High (A1)	<ul style="list-style-type: none"> <li>• Clear financial procedure rules setting out roles and responsibilities for budget management are in place.</li> <li>• In recognition of the quantum of savings and the risks posed a £3 million General Contingency was allocated in the Budget.</li> <li>• In the event of an emergency there is the availability of General Reserve should this be required.</li> <li>• The final 2017/18 outturn showed a balanced position. However this included an overspend of £4.982m in relation to directorate budgets with shortfalls of £2.854m against 2017/18 savings targets and £2.195m against shortfalls carried forward from 2016/17.</li> <li>• The Corporate Director of Resources, Chief Executive and Cabinet Members regularly hold challenge meetings and these will continue for 2018/19 in all areas both to address shortfalls against budget proposals accepted but also the overall financial position of each directorate.</li> <li>• 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.</li> <li>• The balance of any 2016/17 or 2017/18 savings targets were discussed as part of the budget process and a limited amount were written off. The majority of the previous year budget proposals continue to be deemed as achievable going forward by the respective Director. The 2017/18 savings proposals will be monitored as part of the 2018/19 budget monitoring process.</li> <li>• SMT discussed those overspend areas (not as a result of saving proposals not being delivered) of 2017/18 in order to provide assurance of mitigations in place for 2018/19</li> </ul>	High (B2)	<ul style="list-style-type: none"> <li>• The balance of any 2017/18 savings targets designated as not being achievable have been provisionally allocated and will continue to be reviewed through the 2018/19 budget monitoring process.</li> <li>• Continue regular review and challenge sessions in order to provide assurance of financial monitoring position during the year.</li> </ul>	Christine Salter (Allan Evans)  Councillor Chris Weaver Finance Modernisation and Performance



Ref	Risk Description	Potential Impact	Inherent Risk	Current Controls	Residual Risk	Proposed Management Actions	Owner
14	<p><b>Performance Management</b></p> <p>After considerable progress in both developing the way the organisation manages performance and in actual performance improvement, there is a need to focus on ensuring Performance Management practices are mature, embedded and consistently applied as the organisation looks to continue improving outcomes in the face of significant financial pressures.</p>	<p>Reputational / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> <li>The strategic and corporate level changes do not have the intended impact because they are not fully embedded in operational practices.</li> <li>Council unable to accelerate performance improvement as planned/desired.</li> </ul>	High (B2)	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>Increasing the transparency with which we manage our performance</li> <li>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 of Future Generations Act.</li> <li>Consistent RAG ratings have been agreed and developed for Corporate Plan commitments</li> <li>A consistent RAG methodology has been developed to enable a mathematical approach be applied to performance indicators</li> <li>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</li> <li>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</li> <li>Wellbeing objectives have been developed in line with the Corporate Plan development timeline and endorsed by SMT and presented to informal cabinet</li> <li>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</li> <li>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</li> <li>Reporting scorecards have been trialled by representatives of PSG. These were presented at PSG and were well received.</li> <li>A reporting framework has been developed to allow 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 were fully implemented for the reporting of performance for Q1 2017-18 to ensure robust reporting arrangements for the WCFG Act</li> <li>Discussions took place with key representatives to further develop the self-assessment process which will contribute to the development of the Corporate Plan.</li> <li>Service Level scorecards were 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</li> <li>Directorate Delivery Plans were developed and in use from April 2017. They are 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</li> <li>Building on the work carried out in 2016-17 a new quarterly reporting template was developed in collaboration with key stakeholders.</li> <li>A Members training session regarding the Performance Management Framework was developed and carried out at the end of the September</li> <li>The Performance Management Framework and Strategy has been finalised. A soft launch took place via the Corporate Performance Team's Public SharePoint Page. 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.</li> <li>The high level Performance Management Framework documents are available on the Performance Team's Public SharePoint page</li> <li>The Self-assessment process from 2016-17 was further built on and was rolled out in September 2017. The outputs from this were used to develop the Corporate Plan and the Directorate Delivery Plans.</li> <li>Work was undertaken with Comms to align the PMF with the Capital Ambition Branding</li> <li>New governance structures have been put in place to ensure Performance Management continues to be embedded across the organisation, including regular meetings of SMT to look at Assurance matters, and the formation of a Cabinet-level group that will look at performance holistically.</li> </ul>	Medium (D2)	<ul style="list-style-type: none"> <li>Ongoing work continues to launch and embed the PMF</li> <li>Engagement work being undertaken with SMT regarding Performance Management</li> </ul>	<p>Christine Salter (Head of Performance &amp; Partnerships)</p> <p>Councillor Chris Weaver Finance Modernisation and Performance</p>
15	<p><b>Health and Safety</b></p> <p>Improved corporate health and safety arrangements for key risks across the Council – require imbedding and ongoing monitoring.</p>	<p>Reputational / Legal / Financial / Service delivery</p> <ul style="list-style-type: none"> <li>Fatalities</li> <li>Serious injuries</li> <li>Prosecution – fines for corporate body and/ or fines/imprisonment for individual</li> <li>Civil Claims</li> <li>Negative Publicity</li> </ul>	High (A1)	<ul style="list-style-type: none"> <li>Corporate Health and Safety Structure in place.</li> <li>Key Health and Safety Policy and Guidance reviewed and updated.</li> <li>RAMIS fully implemented covering statutory risk on Council Premises.</li> <li>Health and Safety Support Service for schools in place, completed first term of support.</li> <li>Management of risks from Legionella, Fire &amp; Asbestos managed by H&amp;S.</li> <li>RAMIS Status reported to SMT bi-monthly providing compliance statistics on Phase 2 of implementation – Remedial tasks arising from statutory inspections for high risk disciplines.</li> </ul>	Medium (C2)	<ul style="list-style-type: none"> <li>RAMIS Review of remedial tasks from Fire Risk Assessments and Legionella Risk Assessments – priority for Q4.</li> <li>Implementation of the following digital services in Q4:-</li> <li>ALERT – PACD Replacement to be rolled out across the Council.</li> <li>RAMIS – Asbestos module to be implemented.</li> <li>RAMIS – Risk Assessment Library to be implemented</li> <li>RAMIS – Accident reporting module to be implemented</li> <li>Asbestos Management – Revised Policy and procedures to be implemented across the Council.</li> <li>Establish a UKATA training centre for delivery of all asbestos related training to Council employees and contractors.</li> <li>Programme of Asbestos Surveying to be developed in readiness for 2019/20.</li> <li>Fire Risk Assessment – review of remedial tasks from Building Control FRA's with concentration on risk to life and prioritisation of outstanding works.</li> <li>Discussion with the Fire Service with regards setting up a Cardiff led consultation group to agree improvements/standards to fire safety provisions across Councils in Wales – discussed at All Wales H&amp;S Management Group.</li> <li>Additional Support to Waste Services to improve health and safety standards.</li> <li>Health and Safety improvement programme agreed for schools.</li> </ul>	<p>Christine Salter (Donna Jones)</p> <p>Councillor Chris Weaver Finance Modernisation and Performance</p>

Ref	Risk Description	Potential Impact	Inherent Risk	Current Controls	Residual Risk	Proposed Management Actions	Owner
16	<p><b>Climate Change &amp; Energy Security</b></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 &amp; Safety</p> <p>Climate change will result in more intense and frequent rainfall events causing flooding, impacting:</p> <ul style="list-style-type: none"> <li>• Loss of life and personal injury;</li> <li>• Direct damage to property, infrastructure and utilities;</li> <li>• Contamination and disease from flood and sewer water and flood on contaminated land;</li> <li>• Increased cost of insurance;</li> <li>• Break up of community and social cohesion;</li> <li>• Blight of land and development.</li> </ul> <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 flooding.</p> <p>Increased summer temperatures:</p> <ul style="list-style-type: none"> <li>• An increase in heat related discomfort, illness and death, increasing pressure on health and emergency services</li> <li>• An increase in demand for limited water supplies</li> <li>• Damage to temperature sensitive infrastructure (transport systems, electrical systems).</li> <li>• Migration of biodiversity.</li> </ul> <p>Inconsistent energy supply and cost:</p> <ul style="list-style-type: none"> <li>• Inability to deliver public services</li> <li>• Decrease in economic output</li> <li>• Disruption to the supply of utilities</li> <li>• Increased transport costs</li> <li>• Increased costs for heating / providing services to buildings</li> <li>• Increased fuel poverty</li> </ul>	<p><b>High (B1)</b></p>	<p>Emergency Management Unit</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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</li> <li>• 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; <a href="https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Emergency-Planning-and-Resilience/Pages/default.aspx">https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Emergency-Planning-and-Resilience/Pages/default.aspx</a></li> <li>• 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.</li> <li>• Parts of Cardiff now benefit from flood mitigation schemes, Rhiwbina village has a completed scheme providing flood protection to numerous properties that have been affected by flooding from Whitchurch Brook, Roath area of Cardiff around Waterloo Gardens has a scheme being built now which when complete will give flood protection to approx. 400 properties. This scheme has been developed and funded by Natural Resources Wales and Welsh Government. A coastal flood protection scheme is also being developed for future protection of the coast along Rover way. Emergency Management have been involved in all of these schemes alongside our Highways, Drainage and Water Management teams and the local communities.</li> <li>• We also 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; <a href="http://www.wales.nhs.uk/docopen/218909/">http://www.wales.nhs.uk/docopen/218909/</a></li> </ul> <p>Energy Management</p> <ul style="list-style-type: none"> <li>• The Council procures competitive energy contracts through the Crown Commercial Services on a 6 monthly purchasing window for the following 12 month financial year.</li> <li>• Key sites are fitted with back-up generators for emergency backup, specifically for IT systems.</li> <li>• 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.</li> <li>• Control of energy use and demand reduction in the Council Estate <ul style="list-style-type: none"> <li>- Energy efficiency measures being installed through Re:Fit and Salix projects</li> <li>- NPS Consortium approach to purchasing energy to secure best prices</li> <li>- "Behaviour change" and smart control actions to minimise use</li> </ul> </li> </ul> <p>Next phase of Re:Fit and Salix has been finalised</p> <ul style="list-style-type: none"> <li>• Increasing local renewable generation <ul style="list-style-type: none"> <li>- Solar roof and other on-site renewables delivered and others planned</li> <li>- Lamby Way Solar Farm</li> <li>- District Heat Network proposals</li> </ul> </li> </ul> <p>Both the Heat Network and Lamby Way Solar Farm schemes have been given authority to proceed by Cabinet, subject to Final Business Case approval</p> <p>Flood management</p> <p>Local Flood Risk Management Strategy - The LFRMS integrates; the PFRA, a coastal protection strategy, stakeholder communications and sets a clear corporate approach to flood management.</p> <p>Flood Risk Management Plan - sets out how Cardiff Council will manage flooding so that the communities most at risk and the environment benefit the most:</p> <ul style="list-style-type: none"> <li>• Highlighting areas most at risk of flooding from surface water, ordinary watercourses and groundwater in Cardiff Council's area;</li> <li>• Draws conclusions from these risks; and</li> <li>• Sets out the measures that will be implemented over the 6-year cycle to mitigate these risks and make our communities more resilient.</li> </ul> <p>Planning - Project Mgt 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). A process has been identified and tested to collect data relating to the flood risk indicators. TAN15 of Planning Policy Wales means new development must take future impacts of climate change into account in the design process. Retrofit of SuDS (sustainable drainage) - to remove surface water from piped systems and control surface water at source through schemes such as Greener Grangetown.</p> <p>Atkins have completed the Surface Water SPG and it is with CCC officers for review. Consideration of the document for release in conjunction with Schedule 3 of the Flood and Water Management Act 2010 is to be considered.</p> <p>Data collation for monitoring flood risk indicators completed.</p> <p>Data collation for monitoring flood risk indicators for 2017/18 completed and 2nd LDP AMR submitted to Welsh Government by end of October 2018.</p> <p>Sustainable Development Unit</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><b>Medium (D1)</b></p>	<p>Emergency Management Unit</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul> <p>Energy Management</p> <ul style="list-style-type: none"> <li>• 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 ECO3 and energy efficiency opportunities, provide supplementary planning guidance on passive and renewable heating systems to new build and retrofit schemes.</li> <li>• 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 &amp; community planning for Energy City Wide to Business and public sector.</li> <li>• 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.</li> <li>• Submit planning application in Dec 2018 and begin Design and Build procurement for Lamby Way solar Farm, which will feed into Final Business Case.</li> <li>• Submit grant application for heat network in Jan 2019 and implement energy efficiency works identified in Re:Fit and Salix projects</li> <li>• Present Lamby Way Solar Farm Final Business Case for Cabinet approval in March 2019</li> <li>• Present Heat Network Final Business Case for Cabinet approval in Autumn 2019</li> </ul> <p>Flood Management Planning</p> <ul style="list-style-type: none"> <li>• Data collation for monitoring flood risk indicators for 2017/18 has been completed and has fed into the 2nd LDP AMR which was endorsed by Cabinet in September 2018. This is due to be submitted to Welsh Government by the end of October 2018.</li> <li>• SuDS approval body (SAB) will be implemented on 7th Jan 2019 requiring sustainable drainage of all new developments, in accordance with statutory/legislative requirements.</li> <li>• Implementation of new flood risk management tool in AMX database to ensure better quality control and promote digital working. Upload and assessment of historical information for review with Flood Risk Regulations 2009 requirements.</li> <li>• Cardiff specific guidance for surface water management on new developments currently in production to assist developers in producing high quality development with resilience to climate change.</li> </ul> <p>Sustainable Development Unit</p> <ul style="list-style-type: none"> <li>• Climate Change is referenced in the Well-Being Assessment and an action included in the Well-Being Plan.</li> <li>• 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 planning so as to not duplicate efforts and get maximum benefit from the commitments.</li> </ul>	<p>Andrew Gregory</p> <p>Councillor Michael Michael, Clean Streets, Recycling and Environment</p>

Ref	Risk Description	Potential Impact	Inherent Risk	Current Controls	Residual Risk	Proposed Management Actions	Owner
17	<p><b>Coastal Erosion</b></p> <p>Breach of current defences resulting in widespread flooding</p>	<p><b>Consequence:</b></p> <p><b>Health &amp; Safety /Reputational/ Financial/ Service Delivery/ Strategic</b></p> <ul style="list-style-type: none"> <li>- 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</li> <li>- Erosion to two decommissioned land fill sites, with risk of releasing landfill material into the Severn Estuary and having significant environmental impacts</li> <li>- Flood risk to 1,116 residential and 72 non-residential properties over 100 years, including risk to life, property, infrastructure and services</li> <li>- N.B. the predicted rates of erosion threaten the Rover Way Travellers Site and the adjacent electrical substation within 5 years, and further release of large volumes of unknown tip material from the Frag Tip into the Severn Estuary.</li> </ul>	High (B1)	<ul style="list-style-type: none"> <li>- There are no controls to avoid the flood and coastal erosion risk event occurring, however incident management arrangements are in place, which whilst not preventative, represent a level of control.</li> <li>- The current ad hoc defences along the area are in a very poor condition.</li> <li>- 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.</li> <li>- 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.</li> <li>- A 25% capital matchfunding bid for 18/19 has been submitted &amp; approved subject to WG grant award</li> <li>- Formal application for funding and approval from WG submitted</li> <li>- A Cabinet Office Forward Plan was submitted for March 2018 Cabinet Meeting for funding approval.</li> <li>- 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 )</li> <li>- Following the approval by Cabinet in March 2018 to progress the delivery of the Rover Way to Lamby Way coastal defence scheme, £638,549 grant has been received from Welsh Government (WG) to develop the Design and Full Business Case for the coastal defence scheme, with WG funding agreed in principal for construction phase, subject to approval of the business case.</li> <li>- Full Business Case and detailed design tendered.</li> </ul>	High (B1)	<p>Next steps:</p> <p>Contract to be awarded for Full Business Case (FBC) and detailed design</p> <p>Completion date for FBC anticipated February 2020.</p>	<p>Andrew Gregory</p> <p>Councillor Michael Clean Streets, Recycling and Environment</p>
18	<p><b>Information Governance</b></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"> <li>• Leads to the Information Commissioner issuing notices of non-compliance</li> <li>• These could consist of: <ul style="list-style-type: none"> <li>• a Stop Now Order which would mean that no personal data could be processed by the Council in its entirety</li> <li>• An Information Notice which would mean that a service would have to provide information in a very limited period thereby impacting on service delivery</li> </ul> </li> <li>• Undertaking which requires an Action Plan of Remedial Measures which would be subject to ICO Audit</li> <li>• Enforcement Notice requires immediate improvement action to be put in place</li> <li>• Financial Penalty up to £500,000 (currently)</li> <li>• 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</li> </ul>	High (A1)	<ul style="list-style-type: none"> <li>• Information Security Board chaired by the SIRO held quarterly.</li> <li>• Suite of Information Governance Policies in place and annually updated.</li> <li>• Processes for Information Requests, Data Loss in place.</li> <li>• The Information Governance Training Strategy in place and training provided to staff with access to electronic personal data</li> <li>• Information Requests and Training compliance monitoring reports provided and reported to Information Security Board, SIRO.</li> <li>• ICO Consensual Audit determined that the Council is considered to have a 'reasonable level of assurance' in place</li> <li>• Standard Contracts include a clause regarding 3rd Parties processing personal data and obligations in respect of Freedom of Information</li> <li>• 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</li> <li>• Privacy Impact Assessment Board established to ensure that the Council, when changing systems and processes where personal data is involved, considers relevant legislation.</li> <li>• 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</li> <li>• 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</li> <li>• 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</li> <li>• Advice and guidance available to Directors and Lead Officers on the Information Governance aspects of Alternative delivery Models</li> <li>• 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.</li> <li>• Corporate Retention schedule in place and updated annually in line with any legislative changes</li> <li>• Information Governance Maturity Model established to monitor risks against areas of information governance to feed into corporate risk status</li> <li>• The Digitalisation of Paper Records Strategy and associated business process changes is in place</li> <li>• A Corporate external storage contract is in place to improve processes and financial spend on storage of paper records externally</li> <li>• The Council's Data Processing Agreement template has been updated to ensure that this remains compliant with the requirements of the Data Protection Act</li> <li>• 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.</li> </ul>	Medium (D1)	<ol style="list-style-type: none"> <li>1) Completion of the GDPR Implementation Plan (6 months)</li> <li>2) Improve the IG Training compliance to meet the target of 100% (3 months)</li> </ol>	<p>Christine Salter (Vivienne Pearson)</p> <p>Councillor Chris Weaver Finance Modernisation and Performance</p>
19	<p><b>Increase in Demand (Children's Services)</b></p> <p>Failure to effectively manage demand resulting in increase in number of looked after children and the service and financial pressures this presents.</p>	<p>Reputational / Community / Legal / Financial / Stakeholders / Service delivery</p> <ul style="list-style-type: none"> <li>• Family breakdown leading to children becoming looked after</li> <li>• Growth in the number of children entering the looked after system and associated costs for the Authority</li> <li>• Insufficient placements to meet need</li> <li>• Children are less likely to achieve their potential and to be fully participating citizens</li> <li>• Life chances for children are reduced</li> <li>• Delays in issuing care proceedings because of existing capacity in both Children's and Legal Services</li> <li>• Challenges in 'improving outcomes for children 'Challenges in effectively managing Service and financial pressures</li> <li>• Significant increase in demand for residential and foster care placements for LACr resulting in increase in numbers placed outside Cardiff</li> </ul>	High (B1)	<ul style="list-style-type: none"> <li>• Early Help Strategy</li> <li>• Information, Advice and Assistance functions (including implementation of Dewis Cymru and Support 4 Families)</li> <li>• Locality working</li> <li>• Interface Protocol for Children's Services with Children's Team Around Family (TAF) AND Disability Team Around the Family (DTAF) agreed and implemented</li> <li>• Families First / Team Around the Family</li> <li>• Flying Start</li> <li>• FISS Rapid Response Service</li> <li>• Adolescent Resource Centre</li> <li>• Legal tracker and Legal surgery</li> <li>• Direct Payments</li> <li>• Young Carers Action Plan</li> </ul>	High (C1)	<ul style="list-style-type: none"> <li>• Partnership arrangements for delivery of Child and Adolescent Mental Health Service (CAMHS) to be reviewed.</li> <li>• Refresh of Early Help Strategy by 12 months+</li> <li>• Mobilisation of New Families First Services by September 2018.</li> <li>• Support for Families Project Board.</li> <li>• Embedding Improving Outcomes for Children Programme Board and project groups beneath it.</li> <li>• Recommissioning of Families First Services for disabled children and young people by 31st March 2019.</li> </ul> <p>DDP 2018/19 update :</p> <ul style="list-style-type: none"> <li>• Improve recruitment and retention of children's social workers, ensuring the Council achieves and maintains a vacancy rate below 18% by March 2019 to raise standards and drive the quality and competency levels of staff through effective workforce dev in order to enable those with care and support needs to achieve what matters to them (DP13-CS)</li> <li>• Continue to implement a sustainable finance and service delivery strategy across Children's and Adult Services throughout 2018/19, where the commissioning and delivery of services is evidence based, outcome focussed and commercially sound (CP15 -SS)</li> </ul>	<p>Sarah McGill Claire Marchant Councillor Susan Elsmore, Social Care, Health &amp; Well-being</p> <p>Councillor Graham Hinchey, Children &amp; Families.</p> <p>Councillor Chris Weaver, Finance Modernisation and Performance</p>

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Ref	Risk Description	Potential Impact	Inherent Risk	Current Controls	Residual Risk	Proposed Management Actions	Owner
20	<p><b>Delivering Capital Ambition Programme</b></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"> <li>Failure to deliver the Administration's Capital Ambition statement.</li> <li>Failure to respond to the key financial and organisational challenges that dominate the medium term planning horizon of the Council.</li> <li>Vital services will not be protected if we fail to find more efficient ways of working.</li> <li>Reputational impact if services do not meet increasing customer expectations.</li> <li>Public services are not delivered efficiently or effectively and fail to deliver joined up services to the public.</li> <li>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.</li> <li>- Reputational risk with our external regulators if the CADP is not delivering on time and does not have robust governance arrangements in place.</li> </ul>	High (B1)	<ul style="list-style-type: none"> <li>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.</li> <li>Disciplined approach, where risk assessment forms an integral part of the approach to change.</li> <li>Programmes and projects initiated with dedicated resources.</li> <li>Experienced gained by managing programmes and projects over a number of years, building on lessons learned.</li> <li>An extensive training programme for the Capital Ambition Delivery Team has been rolled during 2017/18 to ensure both project management and business analyst's skills and knowledge are enhanced.</li> <li>Building capacity and capability across the organisation through development opportunities and skills transfer.</li> <li>Appropriate engagement and stakeholder management, including Trade Union meetings and updates for PRAP, Scrutiny and Internal Audit.</li> <li>Continued implementation of Programme &amp; Project Management Database to enhance management information and reporting. Investment Review Board review/approve Business Cases and prioritise resources.</li> <li>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.</li> <li>Cabinet report dated 14th December 2017, approved the Delivering Capital Ambition Programme.</li> <li>The Cabinet Performance and Delivery Group has been established and will receive Programme updates on a quarterly basis.</li> <li>The Capital Ambition Delivery Programme (CADP) supersedes and replaces the Organisational Development Programme that had been in place since May 2014.</li> <li>All Programme Briefs have been signed off by SMT and the relevant programme boards.</li> <li>Project briefs have been developed for a number of projects within the CADP.</li> </ul>	Medium (D2)	<ul style="list-style-type: none"> <li>Project briefs will continue to be developed during quarter 2 &amp; 3.</li> <li>The current Organisational Development Programme has been closed down with programme closure reports completed.</li> <li>Governance arrangements will be reviewed in quarter 3 of 18/19 to ensure the projects within the CADP are being managed effectively.</li> <li>Programme dashboards have been developed with performance leads to ensure we capture both performance and project data and these have been reported into the relevant Programme Board. These will continue to be developed during quarter 3.</li> <li>- Portfolio dashboards (for Modernisation and Resilient Services) are being developed and will be taken to SMT early in quarter 3. Monthly meetings are also taking place between the relevant SRO and the Portfolio Manager from the CADT. Project executives are invited to these meetings, as and when required, to provide project updates.</li> </ul>	Christine Salter (Dean Thomas)  Councillor Chris Weaver Finance Modernisation and Performance
21	<p><b>Legal Compliance</b></p> <p>Changes in services and staff roles across the Council resulting in:</p> <ul style="list-style-type: none"> <li>gaps in Council wide knowledge of the local authority framework of responsibilities and duties within which we have to operate;</li> <li>inability to deliver the services in accordance with all duties and responsibilities due to lack of resource:</li> </ul> <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"> <li>Increase in number of challenges and complaints with consequences in terms of already stretched resources and impact of adverse decisions</li> <li>Implementation of decisions delayed due to challenges and potentially fatally disrupted.</li> <li>Impact on projects if reputation for sound management and implementation of projects is damaged</li> <li>Major incident.</li> <li>Adverse press/media reaction</li> <li>Involvement from Welsh Government in terms of performance standards or measures.</li> <li>Increased costs</li> <li>Impact on capacity to deal with proactive legal work</li> </ul>	High (B2)	<ul style="list-style-type: none"> <li>Professional internal legal and financial advice provided to a high standard.</li> <li>Maintaining robust decision making process with legal implications on all Council, Cabinet and Committee reports and Officer Decision Reports at Director level.</li> <li>Appropriate use of NPS Legal Services by Solicitors Framework to increase resilience.</li> <li>Dedicated teams in specialist areas e.g. equalities, FOI / DPA.</li> <li>Sharing training/publications received.</li> </ul>	Medium (C2)	<ul style="list-style-type: none"> <li>Further development of standard precedents with guidance for use in cases of low value/low risk/repetitive matters</li> <li>Provide legal training to Directorates to develop knowledge within Directorates of specific statutory functions.</li> <li>Encourage Directorates to ensure reports are discussed at preliminary stage in development to ensure all legal issues are addressed early</li> </ul>	Davina Fiore  Councillor Huw Thomas Leader

Ref	Risk Description	Potential Impact	Inherent Risk	Current Controls	Residual Risk	Proposed Management Actions	Owner
22	<p><b>Education – Schools Delegated Budgets</b></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"> <li>Budget implications.</li> <li>Educational standards falling behind other LA's.</li> <li>Potential impact on Estyn judgement for LA.</li> <li>Intervention from WG</li> </ul> <p>Reputational / Legal / Financial.</p> <ul style="list-style-type: none"> <li>Budget implications.</li> <li>Reducing educational standards.</li> <li>Intervention from WG</li> </ul>	High (B1)	<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> <p>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> <ul style="list-style-type: none"> <li>The 2018/2019 delegated budget allocations were issued to schools in early March 2018 and monitoring arrangements put in place for those schools showing financial concern.</li> <li>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.</li> <li>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</li> <li>Officers continue to monitor and challenge those schools in deficit before allowing any additional financial commitments, both staffing and other expenditure.</li> <li>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.</li> <li>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</li> <li>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</li> <li>Individual school budget monitoring positions reported to Education Management Team on a quarterly basis</li> <li>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.</li> <li>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 2018/19 school budget letters and the 2018/19 Budget Report.</li> <li>Finance Officers continue to meet with Challenge Advisers to discuss individual schools in respect of their financial and school standard performance.</li> <li>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 17/18 have been identified as requiring meeting with S151 officer and senior education officers. These meetings took place in April and early May.</li> <li>The Council will also introduce an increased level of scrutiny of school curriculum plans through support identified with the Central South Consortium.</li> </ul>	High (B2)	<ul style="list-style-type: none"> <li>Council make full use, if necessary, of formal warnings and powers of intervention.</li> <li>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.</li> <li>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.</li> <li>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.</li> <li>Maintaining the need for financial probity whilst ensuring that each school has the opportunity to improve school standards.</li> <li>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 2018/19 and beyond.</li> <li>Following consultation with the School Budget Forum an audit of budget impact on individual schools was undertaken during the Summer Term 2018. A higher response rate than in the previous year is expected and will feed into the discussion regarding the medium term financial plan.</li> <li>To arrange workshop sessions in Autumn 2018 with all schools regarding the impact of the Council's MTFP.</li> </ul>	<p>Nick Batchelar (Neil Hardee)</p> <p>Councillor Sarah Merry Deputy Leader &amp; Education, Employment &amp; Skills</p>
23	<p><b>Fraud, Bribery and Corruption</b></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"> <li>Increase in frauds and losses to the Council.</li> <li>Reputational risk as more frauds are reported.</li> <li>Increased time investigating suspected fraud cases.</li> </ul>	High (B2)	<ul style="list-style-type: none"> <li>The Council communicates a zero tolerance approach to fraud, bribery and corruption.</li> <li>Regular review of relevant policies and procedures e.g. the Fraud, Bribery and Corruption Policy, Money Laundering Policy and Disciplinary Policy.</li> <li>Financial Procedure Rules and Contract Standing Order and Procurement Rules frameworks have been reviewed, approved and training rolled out..</li> <li>Work on the National Fraud Initiative exercises led by the Internal Audit, Investigation Team, in collaboration with the Cabinet Office and Wales Audit Office.</li> <li>Receipt and dissemination of fraud intelligence alerts from law enforcement agencies.</li> <li>Regular reports to the Section 151 Officer and Audit Committee and the Chief Executive.</li> <li>Audit Committee review and assess the risk management, internal control and corporate governance arrangements of the authority.</li> <li>Independent assurance from Internal and External Audit on the effectiveness of governance, risk and control.</li> <li>Ongoing delivery of briefings to Schools on fraud and control risks.</li> <li>Cardiff Manager Programme includes session on risk management and compliance / control.</li> <li>Provision of disciplinary management information on DigiGov.</li> <li>Multi-team collaboration in the development of the current Disciplinary Policy and supplementary guidance materials.</li> <li>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.</li> <li>Training programme for disciplinary investigation note takers, developed and delivered by the Internal Audit, Investigation Team.</li> <li>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.</li> </ul>	Medium (D2)	<ul style="list-style-type: none"> <li>Communication plan set up in order to raise profile of Fraud awareness and ensuring that consequences of weak controls in place are fully understood across the organisation. This will include the Fraud Bribery Corruption Policy with awareness and education sessions.</li> <li>Investigation Team to liaise with the Monitoring Officer and agree a policy for monitoring employees at work and a management framework for its enactment as well as undertaking online investigations.</li> <li>Internal Audit to sample Disciplinary Hearing outcomes, challenge consistency of disciplinary sanctions and report findings to the Section 151 Officer and Audit Committee.</li> <li>Review and use the management information produced by HR in respect to the Disciplinary Policy and the production of management information</li> <li>Measure the effectiveness of fighting fraud and corruption against the CIPFA strategy by the end of Q4 2018/19.</li> </ul>	<p>Christine Salter (Ian Allwood)</p> <p>Councillor Chris Weaver Finance Modernisation and Performance</p>

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Ref	Risk Description	Potential Impact	Inherent Risk	Current Controls	Residual Risk	Proposed Management Actions	Owner
24	<p><b>Workforce Planning</b></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"> <li>• Poor service delivery due to ineffective use of resources.</li> <li>• Lack of resources with the knowledge and skills the Council requires for future delivery</li> <li>• Loss of resources and recruitment problems.</li> <li>• Poor morale</li> <li>• Loss of experienced staff members including managers</li> <li>• Reduce the likelihood of attracting high calibre managers to Cardiff Council</li> <li>• Risk of not meeting statutory and legislative requirements in relation to specific workforce requirement e.g. social care.</li> <li>• Risk of workforce not representing the communities to which services are delivered.</li> </ul>	High (B2)	<ul style="list-style-type: none"> <li>• 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 &amp; Development, PPDR review and Employee Voice.</li> <li>• The Workforce planning project has a completed project brief identifying a number of key outputs</li> <li>• Workforce planning dashboard data provided to each Directorate to inform Directorate Delivery Planning discussions and development.</li> <li>• 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.</li> <li>• HR working with Directorates where required, to help identify appropriate strategies to support their WFP agenda.</li> <li>• Children’s Services have developed a Workforce Strategy for their area which is being reviewed on a regular basis.</li> <li>• Resources have held a workshop which focussed on Professional and Technical areas to inform the key skills required for the Directorate going forward.</li> <li>• Work has taken place with Cardiff and Vale College to roll out an Essential Skills diagnostic tool to frontline employees through Commercial Services</li> <li>• A programme of NVQ study is being discussed with Cardiff &amp; vale College and Commercial Services are coming forward with cohorts of employees to attend.</li> <li>• Employee surveys carried out to identify areas where further employee engagement / development can be focused.</li> <li>• Work has been carried out with WLGA and WAO to look at a Wales wide workforce planning process for use within Local Authorities.</li> <li>• Project brief for Workforce Planning provides full details of milestones and implementation dates.</li> <li>• A review of the courses provided by the Cardiff Academy has taken place to ensure that these meet the skills requirements for the future.</li> <li>• 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.</li> <li>• Workforce planning tool kit has been rolled out to pilot areas and workshops taking place between May and September 2017.</li> <li>• Feedback from pilots has been received and allowed for the toolkit to be reviewed.</li> <li>• Full rollout of Workforce planning toolkit to take place in 2018/19.</li> <li>• Workforce planning toolkit presented to SMT in April 2018, and roll out across organisation commenced in first quarter.</li> </ul>	Medium (B3)	<ul style="list-style-type: none"> <li>• Renewed Workforce strategy for 2018-2021 due to be presented to Cabinet July 2018</li> <li>• Continued roll out of revised toolkit across the organisation during quarter 2 2018</li> <li>• The Council is reviewing its resourcing strategies to ensure that it is a considered employer for young people leaving school, college and universities.</li> <li>• As part of the Workforce Strategy Cabinet report, recruitment advertising to be reviewed and processes put in place to ensure that adverts are reaching hard to reach groups</li> <li>• 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</li> <li>• Actions being taken to improve the accessibility to Welsh language either through the recruitment process or through the training and development of current employees</li> <li>• 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</li> <li>• 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.</li> </ul>	Christine Salter (Philip Lenz)  Councillor Chris Weaver Finance Modernisation and Performance
25	<p><b>Brexit</b></p> <p>The risk that Brexit (and any subsequent decisions) will create severe disruption to the City and hinder its ability to continue to deliver effective services and maintain community cohesion</p>	<ul style="list-style-type: none"> <li>• Community Cohesion – Increase of tensions / hate crime</li> <li>• Civil unrest – Protest / Disruptions to transport / City links</li> <li>• Shortage of fuel, foods and medicines will impact on community</li> <li>• Service Delivery is impacted by shortage / loss of key supplies</li> <li>• EU Settlement Scheme is not managed effectively thus disrupting those affected</li> <li>• Business Continuity Plans fail to be effective against the challenges posed by brexit.</li> <li>• Key facilities not kept open such as schools and advice centres</li> </ul>	High (A1)	<ul style="list-style-type: none"> <li>• Officers in regular contact with WLGA / Welsh Government and respective public partners</li> <li>• Directorates reviewing / monitoring respective business continuity plans and making relevant adjustments where needed.</li> <li>• Key suppliers identified / Resilience testing</li> <li>• Lead officer in place for EU Settlement Scheme providing coordination and communication to internal and external stakeholders</li> <li>• Business continuity Plans reviewed by Emergency Management Unit.</li> </ul>	High (B2)	<ul style="list-style-type: none"> <li>• As Brexit outcome becomes clearer priority areas will become the main focus of attention</li> <li>• Longer term implications on areas such as workforce planning need to become clearer over the forthcoming period.</li> </ul>	Senior Management Team

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**AUDIT COMMITTEE SELF-ASSESSMENT FEEDBACK / ACTION PLAN**

**REPORT OF CORPORATE DIRECTOR RESOURCES      AGENDA ITEM: 7.3**

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**Reason for this Report**

1. The Terms of Reference for the Audit Committee sets out its responsibility:
  - 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.
2. An Audit Committee Self-Assessment was held on 22 January, to represent the 2018/19 review of the Committee's performance and effectiveness. The Audit Committee Annual Report to Council on 12 September 2019, will contain the results of the Audit Committee Self-Assessment.

**Background**

3. The Audit Committee Self-Assessment was conducted in a workshop format, applying methodology from the CIPFA document, 'Audit Committees – Practical Guidance for Local Authorities and Police, 2018'.
4. The workshop comprised assessments of good practice and effectiveness, and was facilitated by officers from Internal Audit, Finance, Democratic Services and the Wales Audit Office.

**Issues**

5. The Audit Committee Self-Assessment reported a positive overall position from the reviews of 'good practice' and 'effectiveness', and considered that previous identified actions have been sufficiently progressed.
6. An additional assessment of 'core knowledge and skills' has been introduced this year. This assessment, performed by individual Audit Committee Members, has identified examples of strong individual performance in each core area. It has enabled attention to be given to training Members in areas where collective knowledge and skills are lower.
7. The assessment results have been used to develop seven aspirational areas for improvement, in the 'Audit Committee Action Plan' in Appendix A.

**a) Review of Good Practice**

8. The assessment of good practice is included in Appendix B. It includes the assessed scores from the Audit Committee workshop, of which:
- Eighteen areas were assessed as 'fully in place'
  - Six areas were assessed as 'partly in place'
  - One area, was assessed as 'not in place'
9. The area reported as 'not in place', related to the Committee evaluating the value it adds to the Council. Members considered that whilst comments were generally received from Council, when the Chairperson has presented the Audit Committee Annual Report, there is an opportunity to request feedback from those attending Audit Committee meetings on an ongoing basis for wider awareness and insight.
10. For the areas reported as 'partly in place', the Committee recognised an improved awareness of its training needs, through Individual Assessments against the CIPFA Knowledge and Skills Framework, but acknowledged that with a completion rate of 75%, the action should not be considered as complete. It was also recognised that the delivery of the in-year training for the priority areas identified through the assessment process needs to take place to report full arrangements for training as in place.
11. A further area for good practice improvement related to Audit Committee meetings. It was considered that there was scope to achieve greater engagement, and involvement from all Members, and to make further use of audit findings and identified risks when engaging with senior officers. It was also considered that Audit Committee recommendations may be made, where appropriate.

**b) Review of Effectiveness**

12. The assessment of Audit Committee effectiveness used a 5-point rating scale, ranging from 'no evidence', to 'clear evidence' of the work and support of Audit Committee to delivering improvement in a range of areas. The full assessment key and results are included in Appendix C.
13. Of the nine areas reviewed
- Two were assessed at point 5, with clear evidence from a number of sources that the Committee is actively supporting improvements;
  - Three areas were assessed at point 4, with clear evidence from some sources of the effective support for improvements;
  - Four areas were assessed as having mixed experience and evidence of Audit Committee support.

**c) Core Knowledge and Skills Assessments**

14. The assessment process was strengthened this year to include an Individual Assessment against the CIPFA core knowledge and skills areas. This additional process was identified as an action in last year's assessment, and was completed in advance of the collective workshop, to enable the results to be reflected upon when considering the overall assessment.



15. To assess the core knowledge and skills each Member of the Audit Committee was provided with the CIPFA assessment criteria, together with further supporting materials developed by officers in Internal Audit, Accountancy and the Wales Audit Office. Nine Members undertook Individual Assessments, for whom the results are included in Appendix D.
16. The responses in Appendix D relate to ten core areas, which have been assessed using a 5-point rating scale, ranging from 'no' knowledge and skills, to a 'full/complete' in each area. For the ten areas, Audit Committee Members assessed their 'knowledge' and 'application' separately.
17. From the Individual Assessments completed, whilst there was strong performance in each core area, four areas were identified for further training and support over the next year. These areas were:
  - Treasury Management
  - Internal Audit
  - Financial Management and Accounting
  - Counter Fraud
18. It is intended for training in these areas to be delivered after the conclusion of certain Audit Committee meetings.

#### **d) Role Descriptions**

19. The Head of Democratic Services has engaged with the Audit Committee to develop Role Descriptions for the Audit Committee Chairperson and for the other Audit Committee Members. During the Audit Committee Self-Assessment workshop, Members were provided with model Role Descriptions, which they were asked to consider and provide comment.
20. The role description for a Member of the Audit Committee has been subsequently updated to reflect the role of independent members and discussions are ongoing. The Role Descriptions will be provided in a future meeting for agreement.

#### **Reason for recommendation**

21. To enable the Audit Committee to approve an Action Plan for Audit Committee development.

#### **Legal Implications**

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

#### **Financial Implications**

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

## **Recommendations**

24. Audit Committee to

- Approve the Audit Committee Action Plan, reflecting on the results of the Self-Assessment workshop, and Individual Assessments of core knowledge and skills.

**CHRISTOPHER LEE**  
**CORPORATE DIRECTOR RESOURCES**

**Appendix A:** Audit Committee Action Plan

**Appendix B:** Good Practice - Committee Self-Assessment

**Appendix C:** Effectiveness - Committee Self-Assessment

**Appendix D:** Core Knowledge and Skills - Individual Assessments

Action Plan 22.01.2019

Action	Target
1. All Audit Committee Members to ensure they have completed an Individual Assessment (against the CIPFA knowledge and skills framework)	February 2019
2. On a periodic basis, Audit Committee to receive briefings, training and questioning guidance on: <ul style="list-style-type: none"> <li>• Treasury Management</li> <li>• Internal Audit</li> <li>• Financial Management and Accounting</li> <li>• Counter Fraud</li> </ul>	Commencing April 2019
3. Audit Committee to continue to identify topics for 'deep dive' Audit Committee items, and make best use of the reports received from internal /external audit, risk management and finance.	Ongoing Activity
4. Audit Committee to seek greater value for money (VFM) assurance through interactions with senior officers, and to require Directors to provide sufficient information and assurance on VFM in their reports to Committee.	Commencing April 2019
5. Audit Committee to request feedback from those invited to attend Committee meetings, on the performance and value of the meeting.	Commencing April 2019
6. Audit Committee to make 'recommendations' where appropriate, for the improvement of governance, risk management and control, and to monitor delivery.	Ongoing Activity
7. The Chairperson to continue to: <ul style="list-style-type: none"> <li>• Communicate the work, findings and outcomes of the Audit Committee through biannual newsletters, and to use any webcasting resource available for Committee meetings</li> <li>• Participate in networking opportunities, and to write to Welsh local Authority Audit Committee Chairs, to invite them to participate in a Chair's Network. <i>(February 2019)</i></li> </ul>	Ongoing Activity

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## Self-assessment of 'Good Practice'

7.3 - Appendix B

Good practice questions		Yes	Partly	No
<b>Audit committee purpose and governance</b>				
1	Does the authority have a dedicated audit committee?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Does the audit committee report directly to full council? (applicable to local government only.)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Is the role and purpose of the audit committee understood and accepted across the authority?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Are there arrangements to hold the committee to account for its performance operating satisfactorily?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Functions of the committee</b>				
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
	• good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• assurance framework, including partnerships and collaboration arrangements	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• internal audit	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• external audit	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• financial reporting	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• risk management	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• value for money or best value	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	• counter-fraud and corruption.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Supporting the ethical Framework	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions		Yes	Partly	No
<b>Membership and support</b>				
12	Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> <li>• separation from the executive</li> <li>• an appropriate mix of knowledge and skills among the membership</li> <li>• a size of committee that is not unwieldy</li> <li>• consideration has been given to the inclusion of at least one independent member (where it is not a mandatory requirement)</li> </ul>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by full council?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	Does the chair of the committee have appropriate knowledge and skills?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	Are arrangements in place to support the committee with briefings and training?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18	Is adequate secretariat and administrative support to the committee provided?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Effectiveness of the committee</b>				
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
20	Are meetings effective with a good level of discussion and engagement from all members?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
23	Has the committee evaluated whether and how it is adding value to the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Tudalen 126</b>				
24	Does the committee have an action plan to improve any areas of weakness?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

25	Does the committee publish an annual report to account for its performance and explain its work?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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<b>Assessment key</b>	
<b>5</b>	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
<b>4</b>	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
<b>3</b>	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
<b>2</b>	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
<b>1</b>	No evidence can be found that the audit committee has supported improvements in this area.

<b>Areas the Audit Committee can add value (by supporting improvement)</b>		<b>Overall Assessment</b>
1.	<p>Promoting the principles of good governance and their application to decision making.</p> <p><b>Examples</b></p> <ul style="list-style-type: none"> <li>▪ Supporting the development of a local code of governance.</li> <li>▪ Providing robust review of the AGS and the assurances underpinning it.</li> <li>▪ Working with key members to improve their understanding of the AGS and their contribution to it.</li> <li>▪ Supporting reviews/audits of governance arrangements.</li> <li>▪ Participating in self-assessments of governance arrangements.</li> <li>▪ Working with partner audit committees to review governance arrangements in partnerships.</li> </ul>	3
2.	<p>Contributing to the development of an effective control environment.</p> <p><b>Examples</b></p> <ul style="list-style-type: none"> <li>▪ Actively monitoring the implementation of recommendations from auditors.</li> <li>▪ Encouraging ownership of the internal control framework by appropriate managers.</li> <li>▪ Raising significant concerns over controls with appropriate senior managers.</li> </ul>	5
3.	<p>Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.</p> <p><b>Examples</b></p>	4

	<ul style="list-style-type: none"> <li>▪ Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking.</li> <li>▪ Monitoring improvements</li> <li>▪ Holding risk owners to account for major/strategic risks</li> </ul>	
4.	<p>Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.</p> <p><b>Examples</b></p> <ul style="list-style-type: none"> <li>▪ Specifying its assurance needs, identifying gaps or overlaps in assurance</li> <li>▪ Seeking to streamline assurance gathering and reporting</li> <li>▪ Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit</li> </ul>	5
5.	<p>Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.</p> <p><b>Examples</b></p> <ul style="list-style-type: none"> <li>▪ Reviewing the audit charter and functional reporting arrangements.</li> <li>▪ Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements.</li> <li>▪ Actively supporting the quality assurance and improvement programme of internal audit</li> </ul>	4
6.	<p>Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.</p> <p><b>Examples</b></p> <ul style="list-style-type: none"> <li>▪ Reviewing how the governance arrangements support the achievement of sustainable outcomes.</li> <li>▪ Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</li> <li>▪ Reviewing the effectiveness of performance management arrangements</li> </ul>	4
7.	<p>Supporting the development of robust arrangements for ensuring value for money.</p> <p><b>Examples</b></p> <ul style="list-style-type: none"> <li>▪ Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee.</li> <li>▪ Considering how performance in value for money is evaluated as part of the AGS.</li> </ul>	3
8.	<p>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</p> <p><b>Examples</b></p>	3

	<ul style="list-style-type: none"> <li>▪ Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)</li> <li>▪ Reviewing fraud risks and the effectiveness of the organisation’s strategy to address those risks.</li> <li>▪ Assessing the effectiveness of ethical governance arrangements for both staff and governors.</li> </ul>	
9.	<p>Promoting effective public reporting to the authority’s stakeholders and local community and measures to improve transparency and accountability.</p> <p><b>Examples</b></p> <ul style="list-style-type: none"> <li>▪ Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English.</li> <li>▪ Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency</li> <li>▪ Publishing an annual report from the committee.</li> </ul>	3

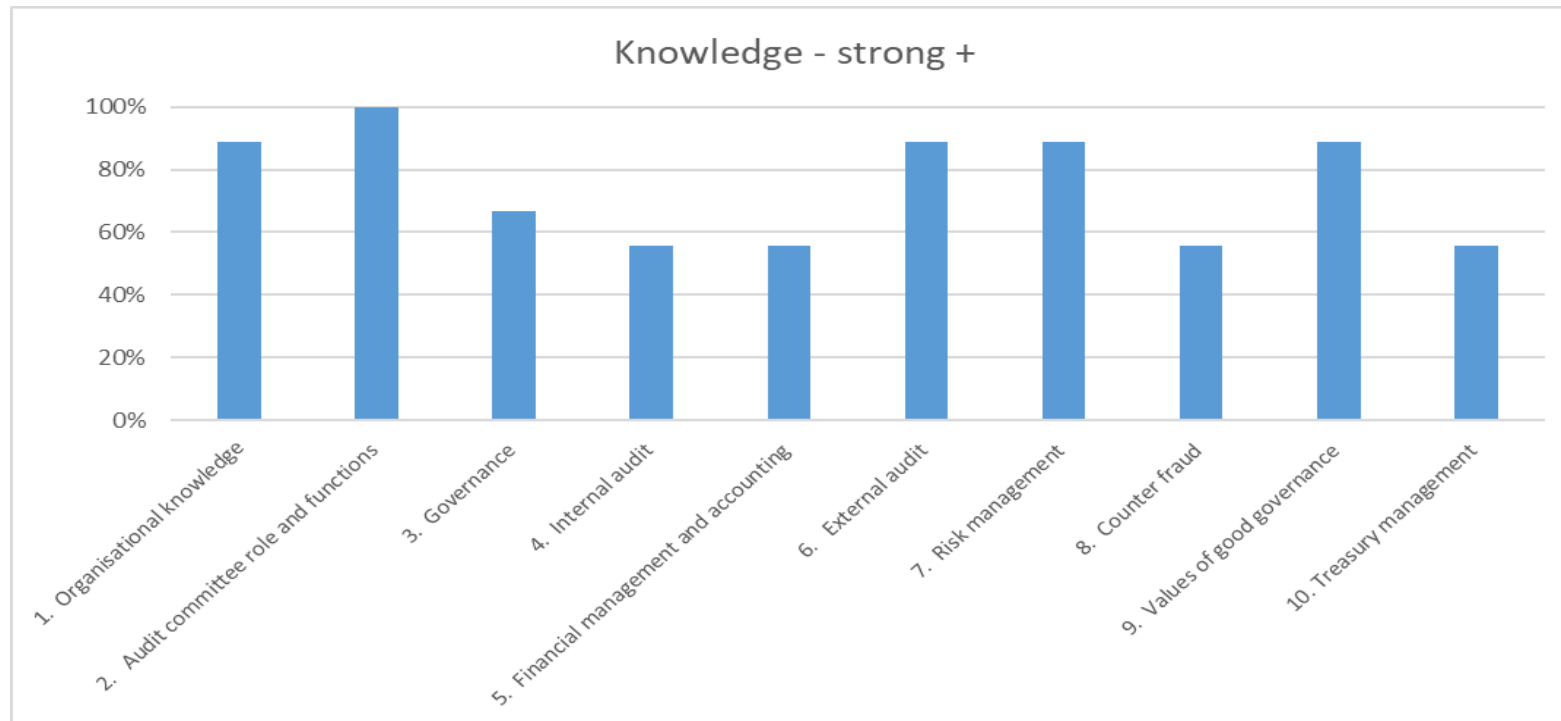
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## Individual Assessments Results - January 2019

## 7.3 APPENDIX D

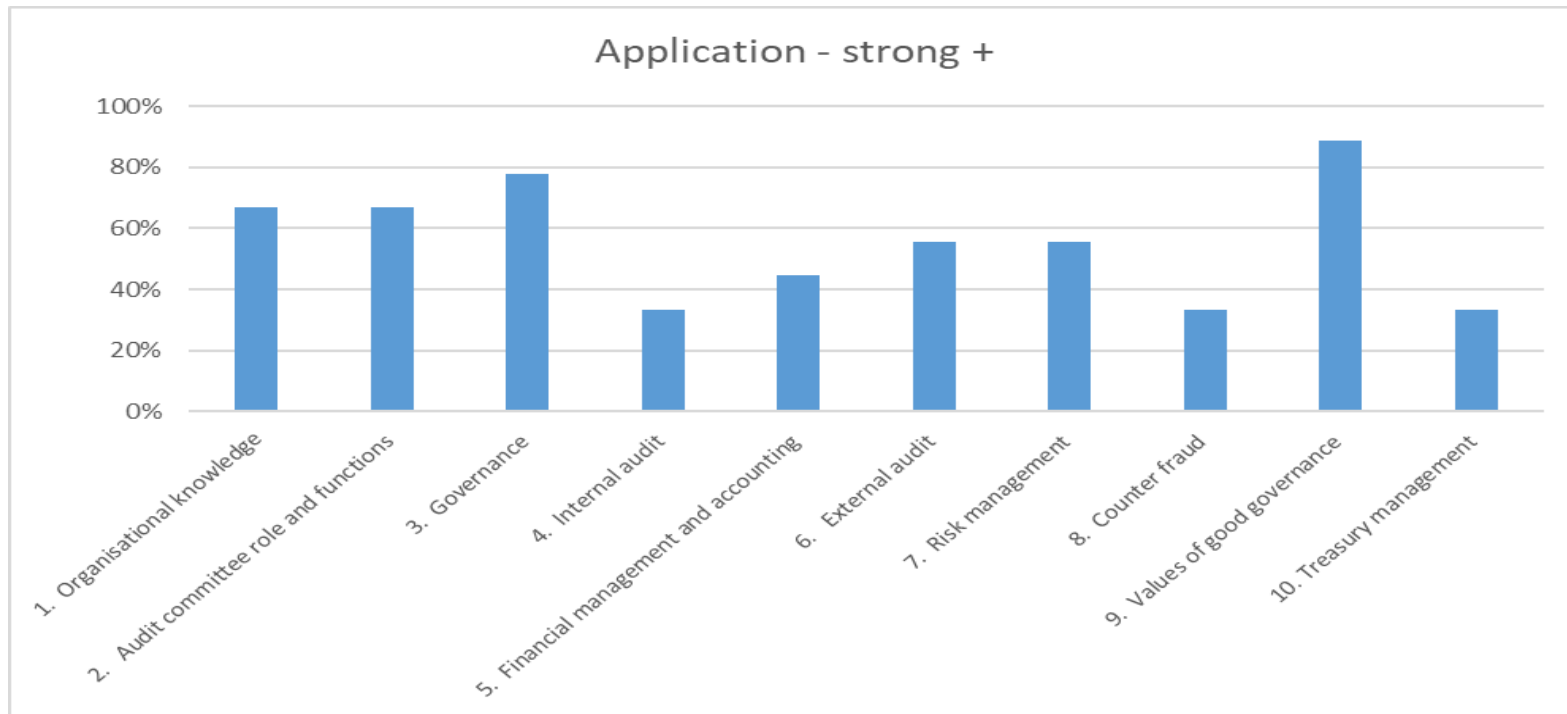
### 1. Knowledge

Knowledge	1. No	2. Limited	3. Mixed	4. Strong	5. Full/Complete		strong +
1. Organisational knowledge	0%	0%	11%	78%	11%		89%
2. Audit committee role and functions	0%	0%	0%	67%	33%		100%
3. Governance	0%	0%	33%	56%	11%		67%
4. Internal audit	0%	0%	44%	44%	11%		56%
5. Financial management and accounting	0%	0%	44%	33%	22%		56%
6. External audit	0%	0%	11%	78%	11%		89%
7. Risk management	0%	0%	11%	78%	11%		89%
8. Counter fraud	0%	11%	33%	56%	0%		56%
9. Values of good governance	0%	0%	11%	67%	22%		89%
10. Treasury management	0%	0%	44%	44%	11%		56%



## 2. Application

Application	1. No	2. Limited	3. Mixed	4. Strong	5. Full/Complete		strong +
1. Organisational knowledge	0%	0%	33%	67%	0%		67%
2. Audit committee role and functions	0%	0%	33%	44%	22%		67%
3. Governance	0%	11%	11%	67%	11%		78%
4. Internal audit	0%	11%	56%	22%	11%		33%
5. Financial management and accounting	0%	0%	56%	22%	22%		44%
6. External audit	0%	0%	44%	44%	11%		56%
7. Risk management	0%	0%	44%	44%	11%		56%
8. Counter fraud	0%	11%	56%	33%	0%		33%
9. Values of good governance	0%	0%	11%	89%	0%		89%
10. Treasury management	0%	11%	56%	33%	0%		33%





WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

## 2019 Audit Plan – Cardiff Council

Audit year: 2019-20

Date issued: March 2019

Document reference: 1139A2019-20

This document has been prepared as part of work performed in accordance with statutory functions.  
Further information on this is provided in [Appendix 1](#).

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



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# 2019 Audit Plan

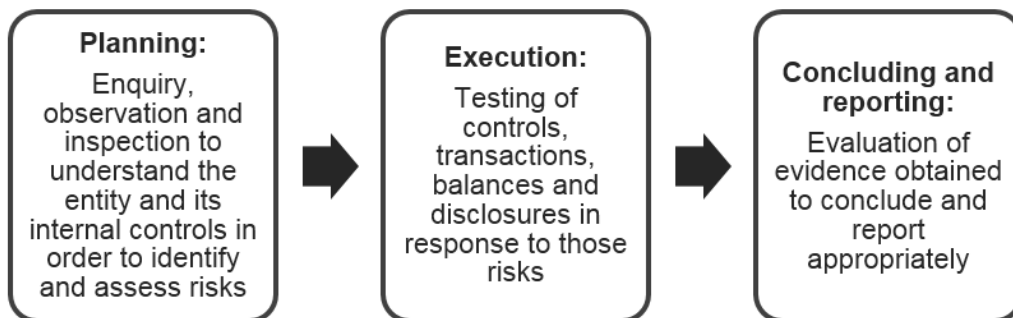
## Summary

- 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 Cardiff Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
- 7 [Appendix 1](#) sets out my responsibilities in full.
- 8 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: my audit approach



9 The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, are set out in [Exhibit 2](#) along with the work I intend to undertake to address them. Also, included are other key areas of audit attention my team will be focusing on.

Exhibit 2: financial audit risks

Financial audit risk	Proposed audit response
<b>Significant risks</b>	
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].	My audit team will: <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases (including provisions, bad debt provisions, accruals and asset impairments); and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>

Financial audit risk	Proposed audit response
<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Cardiff Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we do not consider this to be a significant risk for the Council and, as such, we will not be undertaking any specific work in this area other than our normal audit procedures which includes validating total revenues to council tax, non-domestic rates and central government grants income etc.</p>
Other areas of audit attention	
<p><b>New accounting standards</b></p> <p>IFRS 9 financial instruments applies from 1 April 2018 and brings in 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 recognition of expected credit losses and will impact on how the bad debt provision is calculated.</p>	<p>My audit team will assess the likely impacts of the new IFRSs and as part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018-19 CIPFA Code.</p>

Financial audit risk	Proposed audit response
<b>Other areas of audit attention</b>	
<p>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 a body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.</p>	
<p><b>The wider economic and political uncertainty</b></p> <p>Local Government funding continues to be stretched with increasing cost pressures and demand from residents. The Council's 2018-19 budget identified that it needed to make savings totalling approximately £14.3 million.</p> <p>The month 9 2018-19 budget report indicates that the Council is on course to achieve a balanced year-end out-turn position despite experiencing some significant overspends in some Directorates and there being an anticipated shortfall of £3.7 million against the £14.3 million savings target.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion;</li> <li>• consider whether your financial position leads to material uncertainty about the going concern of the Council and will review related disclosures in the financial statements; and</li> <li>• continue to meet with senior managers and consider the Authority's financial position and delivery of the £19.2 million savings programme.</li> </ul>
<p>The Council's 2019-20 budget proposals identified a funding gap of approximately £32.4 million which requires Directorate savings totalling £19.2 million.</p> <p>At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain at this time. The Authority will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.</p>	

Financial audit risk	Proposed audit response
<p><b>Valuation of Property, Plant and Equipment</b></p> <p>A significant proportion of the Council's property assets will be subject to revaluation as at 31st March 2019. These assets include the Council Housing stock, and Operational Land and Buildings (excluding Schools).</p> <p>In addition, assets classified as Investment Properties, Surplus Assets and Assets held for sale are carried in the Council's balance sheet at fair value, requiring consideration of what this fair value is at 31st March 2019.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• review management's processes and assumptions for the calculation of the estimate, including review of the work performed by management experts;</li> <li>• review the competence, expertise and objectivity of any management experts;</li> <li>• undertake testing to ensure information on revaluations is correctly input to the Council's Fixed Asset Register; and</li> <li>• evaluate management's processes to ensure the carrying value of assets not revalued during the year is not materially different from current value at the balance sheet date.</li> </ul>
<p><b>Contingent Liabilities</b></p> <p>As reported in the Council's 2017-18 financial statements, the Council is in ongoing discussions with HMRC with a view to resolving a purportedly under-declared landfill tax assessment from 1 April 2015. This is a specialised and technical area.</p> <p>The financial impact of any potential liability has not been established yet, but a risk remains that the Council will be subject to additional liabilities.</p>	<p>We will continue to meet with senior managers and consider the extent to which the Council and HMRC have progressed this matter during the year. We will also ensure that any known or potential liabilities, as at 31 March 2019, are appropriately accounted for and disclosed within the Council's financial statements.</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 and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with the agreed timescales, to the quality expected and have been subject to a robust quality assurance review;

- information provided to support the financial statements is in accordance with the agreed audit deliverables document<sup>1</sup>;
  - 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 Cardiff Council's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about Cardiff 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
  - Prosiect Gwyrdd Joint Committee
- 18 My audit fee for this work is set out in [Exhibit 4](#).
- 19 In addition to my responsibilities in respect of the audit of the statutory financial statements set out above, I am also responsible for the audit of the Cardiff and Vale of Glamorgan Pension Fund accounts and the audit of the Cardiff Capital Region

<sup>1</sup> The agreed audit deliverables document sets out the expected working paper requirements to support the financial statements and include timescales and responsibilities.

City Deal Joint Committee accounts, both administered by Cardiff Council. Separate audit plans have been prepared for these audits.

## 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 continue to minimise work that focuses on the process of improvement planning.
- 22 In my audit plan for 2018 I explained that in previous years I had 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 it is likely that I will be unable to rely on my work under the Measure, in 2019-20, and subsequent years, the focus of my local performance audit programmes will continue to be more clearly aligned to discharging my Public Audit (Wales) Act 2004 duty.
- 23 In 2018-19 I undertook an examination of the extent to which you are acting in accordance with the sustainable development principle in taking steps to meet your well-being objectives. During 2019-20 I will undertake a further examination to assess the extent to which you are applying the sustainable development principle when taking steps towards meeting your well-being objectives. This will be the final piece of work I will undertake to discharge my duties under the Wellbeing of Future Generations Act at the Council prior to laying my first cyclical report with the National Assembly in 2020. During 2019-20 I will also be considering how to discharge my duties under the Act over the period 2020 to 2024 and I will seek to engage with local authorities as well as other stakeholders in developing my approach.
- 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. 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 Taking all these factors into consideration, my 2019-20 programme of work will comprise:

**Exhibit 3: performance audit programme**

<b>Performance audit programme</b>	<b>Brief description</b>
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 principle when taking steps to meet its wellbeing objectives.
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.
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges.
Waste management/recycling	Project to look at the pressures in this area and understand the Council's plans to improve performance.
Social services budget and cost pressures	A project to look at social services budgetary and costs pressures.
<b>2019-20 Local Government Studies</b>	(Funded by the Welsh Consolidated Fund) The Auditor General has recently completed his consultation on his forward work programme and new local government studies to commence in 2019-20 will be confirmed shortly.

26 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

- 27 I have been requested to undertake certification work on the Council's grant claims and returns.
- 28 As was the case last year, the Welsh Government will not require me to provide any report of factual findings related to any activity levels or outcomes.
- 29 My audit fee for this work is set out in [Exhibit 4](#).

## Fee, audit team and timetable

### Fee

- 30 Your estimated fee for 2019 is set out in [Exhibit 4](#). There have been some small changes to my fees rates for 2019 however my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed to you. This represents a 0.81% decrease compared to the proposed fee included in your 2018 plan.
- 31 We only charge the costs actually incurred in completing our audit work. Therefore, as in previous years, 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 4: audit fee

Audit area	Proposed fee (£) <sup>2</sup>	Proposed fee last year (£)
Audit of accounts <sup>3</sup>	273,664	273,664
Performance audit work <sup>4</sup>	108,647	108,801
Grant certification work <sup>5</sup>	65,000	65,000
<b>Other Financial Audit Work</b>		
Cardiff Harbour Authority	13,650	17,332
Cardiff Port Health Authority	2,100	2,100
Glamorgan Archives Joint Committee	2,100	2,100
Prosiect Gwyrdd Joint Committee	2,100	2,100
<b>Total fee</b>	<b>467,261</b>	<b>471,097</b>

<sup>2</sup> Notes: The fees shown in this document are exclusive of VAT, which is not charged to you

<sup>3</sup> Payable November 2018 to October 2019.

<sup>4</sup> Payable April 2019 to March 2020.

<sup>5</sup> Payable as work is undertaken

- 32 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.
- 33 Further information on my [fee scales and fee setting](#) can be found on our website.

## Audit team

- 34 The main members of my team, together with their contact details, are summarised in [Exhibit 5](#).

### Exhibit 5: my audit team

Name	Role	Contact number	E-mail address
Ann-Marie Harkin	Engagement / Financial Audit Director	02920 320562	Ann-Marie.Harkin@audit.wales
Huw Rees	Engagement Lead - Performance Audit	02920 320599	<a href="mailto:huw.rees@audit.wales">huw.rees@audit.wales</a>
Phil Pugh	Financial Audit Manager	02922 677837	Phil.Pugh@audit.wales
Jon Martin	Financial Audit Team Leader	02920 320692	Jon.Martin@audit.wales
Sara-Jane Byrne	Performance Audit Manager	07786 111385	<a href="mailto:sara-jane.byrne@audit.wales">sara-jane.byrne@audit.wales</a>
Samantha Clements	Performance Audit Lead	07837 825175	<a href="mailto:Samantha.clements@audit.wales">Samantha.clements@audit.wales</a>

- 35 There is one potential conflict of interest that I wish to bring to your attention. The Financial Audit Manager is a former colleague and friend of the Council's Programme Manager within the Resources Directorate. 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 my officer referred to above does not undertake any audit work in respect of the area of the Council's operations where potential conflicts of interest could be perceived to exist.

## Staff secondment

- 36 A trainee accountant employed by the Wales Audit Office has been seconded to the Council for the period 3 January to 30 June 2019. This secondment is part of an initiative funded by the Welsh Consolidated Fund designed to allow trainee accountants to broaden their skills and to gain experience of working across different parts of the Welsh public sector.

- 37 In order to safeguard against any potential threats to auditor independence and objectivity, the Wales Audit Office and the Council audited body have agreed the following safeguards:
- secondees will not perform duties prohibited by the FRC's Revised Ethical Standard 2016 and will not be able to exercise discretionary authority to commit the Council to a particular position or accounting treatment;
  - the secondee will undertake tasks at a relatively junior level, will be properly supervised and will not undertake a management role or be involved in the decision taking of the Council; and
  - the secondment will be for a short period of time within the meaning of the FRC's Revised Ethical Standard 2016.

## Timetable

- 38 I will provide reports, or other outputs as agreed, to Cardiff Council covering the areas of work identified in this document. My key milestones are set out in [Exhibit 6](#).

### Exhibit 6: timetable

Planned output	Work undertaken	Report finalised
<b>2019 Audit Plan</b>	December 2018 to February 2019	March 2019
<b>Financial accounts work:</b> <ul style="list-style-type: none"> <li>• Audit of Financial Statements Report</li> <li>• Opinion on Financial Statements</li> <li>• Financial Accounts Memorandum</li> </ul>	February to August 2019	August 2019 August 2019 October 2019
<b>Performance work:</b> <ul style="list-style-type: none"> <li>• Improvement Plan Audit</li> <li>• Assessment of Performance Audit</li> <li>• Assurance and Risk Assessment</li> <li>• WFG Act Examinations</li> <li>• Financial Sustainability</li> <li>• Waste management/recycling</li> <li>• Social services budgetary and cost pressures</li> </ul>	April 2019 November 2019 October 2019 to December 2019 April 2019 to September 2019 April 2019 to September 2019 October 2019 to February 2020 September 2019 to February 2020	April 2019 November 2019 January 2020 November 2019 November 2019 March 2020 March 2020

Planned output	Work undertaken	Report finalised
Annual Improvement Report	April 2019 – May 2020	July 2020
Annual Audit Letter	May to November 2019	November 2019

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

## Future developments to my audit work

- 39 Details of other future developments including forthcoming changes to key International Financial Reporting Standards, the Wales Audit Office's Good Practice Exchange (GPX) seminars and my planned work on the readiness of the Welsh public sector for Brexit, are set out in [Appendix 3](#).

# 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 Cardiff Council's financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

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

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;

- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the 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 7: performance work in last year's audit outline still in progress

Performance audit project	Status	Comment
Review of Capital Ambition Delivery Programme	On target. Fieldwork complete	Draft report March 2019
Well-being of Future Generations Act (Wales) 2015 examinations	On target. Fieldwork complete	Draft report April 2019
Leisure Services	On target. Fieldwork to take place April/May 2019	Draft report June 2019
Corporate Safeguarding Arrangements	Planning. Fieldwork to take place April 2019	Draft report June 2019
Environmental Health	Planning	Draft report September 2019
Annual Improvement Report	On target	Draft report July 2019

# Appendix 3

## Other future developments

### A. Forthcoming key IFRS changes

Exhibit 8: changes to IFRS standards

Standard	Effective date	Further details
IFRS 16 leases	Expected in 2020-21	IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on balance sheet as an asset based on a right of use principle with a corresponding liability for future rentals. This is a significant change in lessee accounting.

### B. Good Practice Exchange

The Wales Audit Office's GPX helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face to face and resources shared online. The main areas of work are regarding financial management, public-sector staff and governance.

### C. Brexit: preparations for the United Kingdom's departure from membership of the European Union

In accordance with Article 50 of the Treaty of Rome, on 29 March 2019 the United Kingdom will cease to be a member of the European Union. Negotiations are continuing, and it currently remains unclear whether agreement will be reached on a transition period to 31 December 2020, or whether a 'no deal' immediate exit will take place next March.

The Auditor General has commenced a programme of work looking at the arrangements that the devolved public sector in Wales, including all NHS bodies, is putting in place to prepare for, and respond to, Britain's exit from the European Union. This will take the form of a high-level overview to establish what is being put in place across the Welsh public sector, and what the key issues are from the perspectives of different parts of the Welsh public service.

The Auditor General intends to carry out this initial work in two tranches. In autumn 2018, he issued a call for evidence to compile a baseline summary of arrangements being put in place. On 19 February, the Auditor General issued a report on preparations in Wales for a 'no-deal' Brexit. This will be followed up by further audit fieldwork during the rest of 2019.

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WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# 2019 Audit Plan – Cardiff and Vale of Glamorgan Pension Fund

Audit year: 2018-19

Date issued: March 2019

Document reference: 1140A2019-20

This document has been prepared as part of work performed/to be performed in accordance with statutory functions. Further information on this is provided in Appendix 1.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or auditors acting on behalf of the Auditor General 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](mailto: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.

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# 2019 Audit Plan

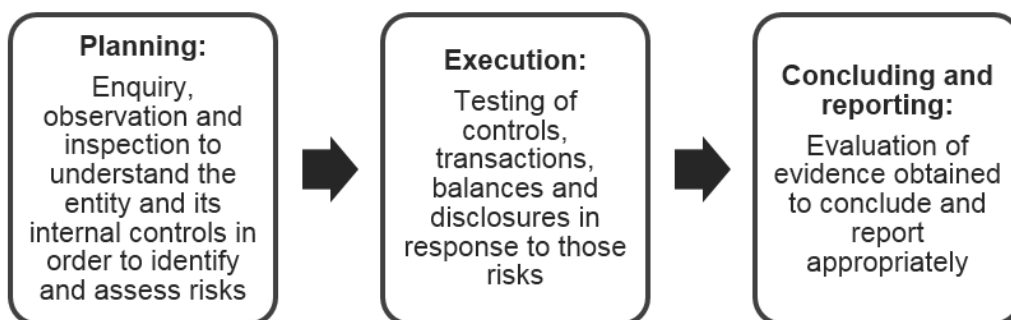
## Summary

- 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 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



- 6 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. Also included are other key areas of audit attention my team will be focusing on.



Exhibit 2: Financial audit risks

Financial audit risks	Proposed audit response
<b>Significant risks</b>	
<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"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases; and</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Cardiff Council as the Administering Authority for Cardiff &amp; Vale Pension Fund, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we do not consider this to be a significant risk for the Pension Fund.</p>
<b>Other areas of audit attention</b>	
<p><b>New accounting standard</b> IFRS 9 financial instruments applies from 1 April 2018 and brings in 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 recognition of expected credit losses.</p>	<p>My audit team will assess the likely impacts of IFRS 9 and undertake work to respond to any identified risks of material misstatement.</p>

Financial audit risks	Proposed audit response
<p><b>Valuation of Private Equity Investments</b></p> <p>Private equity investments have no quoted stock market price and so the fair value of these investments is estimated using an appropriate basis of valuation. However, valuations are subjective as they are based on forward looking estimates and judgements. There is a risk that the basis of valuation used is not reasonable.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• gain an understanding of the pension funds process for valuing private equity investments;</li> <li>• confirm the investment valuations to audited financial statements; and</li> <li>• seek additional assurance over the valuation basis from controls assurance reports where available.</li> </ul>
<p><b>All Wales Pension Partnership</b></p> <p>The eight Pension Funds in Wales have created an 'all-Wales' pooled investment vehicle which will be overseen and reported on by a joint governance committee – the Wales Pension Partnership. An inter-authority agreement has been signed by the Welsh Pension Funds and the joint committee will be producing financial statements for the 2018-19 financial year. We understand that no investments have been transferred to this new management arrangement during 2018-19 but we will monitor the position through to the end of the financial year.</p>	<p>My audit team will assess whether any funds have been transferred into the new arrangements.</p> <p>If funds have been transferred, my audit team will review the accounting arrangements supporting the transfer of funds into the new arrangement coupled with any additional disclosures required. My team will also be working with the auditors of the joint governance committee to assess the most effective of obtaining the relevant assurances on the valuation and ownership of the funds transferred.</p>

- 7 I do not seek to obtain absolute assurance that the Pension Fund accounting statements are true and fair but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee and to those charged with governance for Cardiff County Council (the Council), as the Administering Authority of the Pension Fund as a whole, prior to completion of the audit.
- 8 For reporting purposes, I will 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.
- 9 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with the agreed timescales, to the quality expected and have been subject to a robust quality assurance review;

- information provided to support the financial statements is in accordance with the agreed audit deliverables document<sup>1</sup>;
- 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

- 10 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.
- 11 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.
- 12 If I do receive questions or objections, I will discuss potential audit fees at the time.

## Fee, audit team and timetable

### Fee

- 13 Your estimated fee for 2019 is set out in [Exhibit 3](#). There have been some small changes to my fee rates for 2019 however my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed onto you. This is in line with the proposed fee for 2018.
- 14 We only charge the costs incurred in completing our audit work. Therefore, if the actual costs incurred in completing the audit work is less than the proposed fee, the Authority is only charged the lower amount.

<sup>1</sup> The agreed audit deliverables document sets out the expected working paper requirements to support the financial statements and include timescales and responsibilities.

### Exhibit 3: audit fee

	Proposed fee for 2019 (£) <sup>2</sup>	Proposed fee for 2018 (£)
Audit of pension fund accounts	32,256	32,256

- 15 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.
- 16 Further information on my [fee scales and fee setting](#) can be found on our website.

### Audit team

- 17 The main members of my team, together with their contact details, are summarised in [Exhibit 4](#).

### Exhibit 4: my audit team

Name	Role	Contact number	E-mail address
Ann-Marie Harkin	Engagement Lead – Financial Audit	02920 320562 / 07967 321350	Ann-Marie.Harkin@audit.wales
Phil Pugh	Financial Audit Manager	02920 320645 / 07964 118 615	Phil.Pugh@audit.wales
TBC	Financial Audit Team Leader	TBC	TBC

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

### Staff secondment

- 19 A trainee auditor employed by the Wales Audit Office has been seconded to Cardiff County Council (administering authority for the Pension Fund) for the period January to July 2019. This secondment is part of an initiative funded by the Welsh Consolidated Fund designed to allow trainee accountants to broaden their skills and to gain experience of working across different parts of the Welsh public sector.
- 20 In order to safeguard against any potential threats to auditor independence and objectivity, the Wales Audit Office and Cardiff County Council have agreed the following safeguards:

<sup>2</sup> The fees shown in this document are exclusive of VAT, which is not charged to you.

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

## Timetable

21 I will provide reports, or other outputs as agreed, to the 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
<b>2019 Audit Plan</b>	December 2018 - February 2019	March 2019
<b>Financial accounts work:</b>		
• Audit of Financial Statements Report	March to September 2019	September 2019
• Opinion on Financial Statements	March to September 2019	September 2019
<b>2020 Audit Plan</b>	January 2020	February 2020

## Future developments to my audit work

22 Details of other future developments including the Wales Audit Office's Good Practice Exchange (GPX) seminars and my planned work on the readiness of the Welsh public sector for Brexit are set out in [Appendix 2](#).

# 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

### A. Good Practice Exchange

The Wales Audit Office's GPX helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face to face and resources shared online. The main areas of work are regarding 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](#).

### B. Brexit: preparations for the United Kingdom's departure from membership of the European Union

In accordance with Article 50 of the Treaty of Rome, on 29 March 2019 the United Kingdom will cease to be a member of the European Union. Negotiations are continuing, and it currently remains unclear whether agreement will be reached on a transition period to 31 December 2020, or whether a 'no deal' immediate exit will take place next March.

The Auditor General has commenced a programme of work looking at the arrangements that the devolved public sector in Wales, including all NHS bodies, is putting in place to prepare for, and respond to, Britain's exit from the European Union. This will take the form of a high-level overview to establish what is being put in place across the Welsh public sector, and what the key issues are from the perspectives of different parts of the Welsh public service.

The Auditor General intends to carry out this initial work in two tranches. In autumn 2018, he issued a call for evidence to compile a baseline summary of arrangements being put in place. On 19 February, the auditor general issued a report on preparations in Wales for a 'no deal' Brexit. This will be followed up by further audit fieldwork during the rest of 2019.

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## Cardiff Council

### Audit Committee Update – April 2019

#### Performance Audit work

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2018-19 performance audit work	Scope	Status
<b>Improvement Plan audit</b>	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to publish a self-assessment of performance in the previous year by 31 October.	Certificate issued to Council May 2018
<b>Performance Plan audit</b>	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to set improvement objectives.	Certificate issued to Council 29 <sup>th</sup> November 2018
<b>Annual Improvement Report (AIR)</b>	Annual report summarising the audit work undertaken in the last year which also includes a summary of the key findings from reports issued by 'relevant regulators'	Not started. Likely timescales June/July 2019
<b>Delivering Capital Ambition</b>	Ongoing review and monitoring of the Council's change programme.	Fieldwork complete. Reporting
<b>Assurance and risk assessment</b>	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.	Complete. Informed our 2019-20 performance audit programme set out in our 2019 audit plan.
<b>Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations</b>	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:	Fieldwork complete. Reporting.

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	<p>Cardiff has a high quality city environment where population growth and transport needs are managed sustainably.</p> <p>The step selected for examination as follows:                  “Develop and launch a new Transport &amp; Clean Air Vision for the city”</p>	
<b>Environmental health</b>	<p>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.</p>	Planning
<b>Leisure services</b>	<p>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.</p>	Fieldwork to take place April/May 2019
<b>Corporate safeguarding arrangements</b>	<p>Review of the effectiveness of corporate safeguarding arrangements building on the study previously undertaken by the Auditor General in this area.</p>	Fieldwork to take place April 2019

<b>2017-18 Local Government Studies</b>	<b>Scope</b>	<b>Status</b>
<b>Services to rural communities</b>	<p>The study will focus on whether local government uses its resources to deliver services that meet the needs of rural communities today and in the longer term. Cardiff has not been selected to take part in the detailed fieldwork of this study.</p>	<p>Complete</p> <p><a href="#">Link</a> to Local Government Services to Local Communities</p> <p><a href="#">Link</a> Provision of Local Government Services to Rural Communities: Community Asset Transfer</p>

<b>Using data effectively</b>	This study will seek to identify whether councils' corporate management arrangements for managing and using data are leading to better decision making in the use of resources.	Complete <a href="#">Link</a> The maturity of local government in use of data
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2018-19 Local Government Studies	Scope	Status
First point of contact assessments under the Social Services and Well-being (Wales) Act 2014	<p>The Welsh Government introduced the Social Services and Well-being (Wales) Act 2014 (the 2014 Act), which focuses on reforming and simplifying the law relating to social services. The 2014 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 first point of contact and assessments for adult social care.</p> <p>Detailed fieldwork in five local authorities. We are planning to undertake fieldwork in Cardiff City Council, Denbighshire County Council, Merthyr Tydfil County Borough Council, Pembrokeshire County Council and Carmarthenshire County Council</p>	Fieldwork complete. Drawing conclusions April 2019.
Tackling violence against women, domestic abuse and sexual violence	In 2015 the Welsh Government passed the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act (the 2015 Act). The overarching objective of the 2015 Act is 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 preventative, protective and supportive mechanisms in the delivery of services. The review will focus on determining whether local authorities and their partners are effectively working together to prevent gender-based violence and domestic abuse, and protecting all of the people involved.	Underway

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	Our fieldwork sites are Swansea City and County Council, Conwy County Borough Council, Flintshire County Council, Rhondda Cynon Taff County Borough Council, South Wales Police and South Wales Fire and Rescue Authority	
Planning Services: Improving the wellbeing of Wales	<p>Planning services are an important part of the democratic jigsaw that allows the detailed consideration of proposals to improve the economic prospects of the nation. Good planning decisions can have a positive impact on the wellbeing of people and places. Poor planning decisions can have a detrimental impact on people’s wellbeing and can stifle economic development. This study will provide independent assurance that planning authorities are supporting sustainable development and delivering for the future long-term wellbeing of their communities and for Wales</p> <p>We are planning to undertake fieldwork in Bridgend County Borough Council, Gwynedd County Council, Newport City Council, Torfaen County Borough Council and Ceredigion County Council.</p>	Fieldwork complete. Starting drafting process.

Our programme of 2019-20 local government studies has recently been agreed following consultation		
Public Service Boards and the effectiveness of partnership working	As a refinement to the proposal in our consultation on regional working in local government, this work will focus on issues relating to the performance of Public Service Boards as vehicles for improving the well-being of citizens.	
The impact of austerity on LA discretionary services	This study will focus on judging how well local authorities understand, plan for and meet the needs of those people in need of discretionary services. The review will look at the scale of changes in discretionary provision across Welsh local authorities.	

Commercialisation in local authorities	This study will look at the work of councils to create a strong commercial outlook, how they are developing commercial skills, their policies, vision, monitoring and reporting abilities and broader delivery infrastructure.
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National Studies	Update and link to report
Waste management	Recycling module (published <a href="#">Link</a> ); waste prevention (clearance) and waste treatment infrastructure modules (published <a href="#">Link</a> )
NHS Wales informatics services	Published 10 January 2018. <a href="#">Link</a> to published report
Access to public services with the support of specialist interpretation and translation	Published 25 April 2018. <a href="#">Link</a> to published report
Early intervention and public behaviour change	Drafting
Welsh Government business finance	Published 29 <sup>th</sup> November 2018
Primary care	Published April 2018. <a href="#">Link</a> to published report
Youth services	Drafting
Managing the Impact of Brexit on the Rural Development Programme	Published November 28 <sup>th</sup> November 2018 <a href="#">Link</a>
European Structural Funds Programme 2014-2020	Published August 2018 <a href="#">Link</a>
Integrated Care Fund	Drafting
Arrangements that public bodies across Wales are putting in place to manage the implications, risks and opportunities of Brexit.	Published February 2019. <a href="#">Link</a> to published report

National studies that we plan to take forward in 2019-20	
Picture of public services	We plan to adopt this as a theme for different pieces of commentary-based work over a threeyear period. Reflecting proposals set out in our work programme consultation, in 2019-20 this could include plans for work on a UK comparative spending analysis and commentary on

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	examples of changing approaches to public services. It could also include further commentary on NHS finances.
Brexit	Following our February 2019 report, we will be taking forward further work to consider how public bodies are responding to the implications, risks and opportunities of Brexit. This is likely to then continue as a theme for further work in 2020-21 and 2021-22.
Preventing fraud and corruption	We are already taking work forward to provide an initial overview report to inform a planned Public Accounts Committee inquiry. We may then take forward further work to consider in more detail the effectiveness of public bodies' arrangements.
Administration of student finance	We plan to consider issues relating to the overall administration of the student finance system, including the implementation of the new arrangements introduced from September 2018 and the Welsh Government's modelling of future repayments. This work may also draw on the results from data-matching work as part of the National Fraud Initiative.
Fuel poverty / energy efficiency	This work will look at progress in tackling fuel poverty. The work will consist how fuel poverty/home energy efficiency programmes integrate with wider anti-poverty work.
Welsh Government workforce This	This study would look at how the Welsh Government is planning its workforce in light of the changing environment in which it operates. We may extend the work to consider wider workforce management issues.
Welsh Government ICT	This work would look at the basis for the Welsh Government's decision to bring its core IT service in-house from early 2019, including expected costs and benefits and the extent to which the new arrangements are delivering in line with expectations.
Digital resilience	This would look at how public bodies are ensuring that their IT systems are resilient, robust and secure so that, in the event of serious incidents, systems can be recovered quickly and services can keep running. It could also incorporate some more general issues reflective of the proposal in our consultation on ICT asset management.

Financial sustainability in local government	We will be taking forward local audit work across all local authorities on this topic. This work will examine medium and longer term financial strategy, budget management, cost pressures, efficiency and savings plans, and levels and use of reserves. We anticipate reporting the findings from that work in some way at a national level.
Welsh Community Care Information System (WCCIS)	We touched on plans for the WCCIS in our 2018 report on informatics systems in NHS Wales. This study will look at the effectiveness of the national and local implementation arrangements and would consider whether the investment to date has provided value for money. Our consultation identified this as a potential topic for the period 2020-21 or 2021-22, but we plan to bring this forward.
Grants management	Building on the proposal in our consultation, this work will reflect on how the Welsh Government has been managing changes to grant schemes but as part of a wider look at how grant management arrangements have developed since our <a href="#">2011 report</a> .
Collaborative arrangements for managing local public health resources	We will be examining whether NHS Wales has worked collectively to address the issues we identified through previous <a href="#">local audit work</a> at Public Health Wales NHS Trust.
NHS waiting times	We intend to follow up on our <a href="#">2015 report</a> and are likely to incorporate consideration of the topic from our consultation on procedures of limited clinical value. There are also links to our ongoing work on orthopaedic services.
Covering teachers' absence	We intend to follow up on developments since our <a href="#">2013 report</a> , including in response to the Ministerial Supply Model Taskforce's <a href="#">2017 report</a> .

Mae'r dudalen hon yn wag yn fwriadol





**CARDIFF COUNCIL  
CYNGOR CAERDYDD**

**AUDIT COMMITTEE:**

**2 APRIL 2019**

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**TREASURY PERFORMANCE REPORT – POSITION AT 28  
FEBRUARY 2019**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 10.1**

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

**Reason for this Report**

1. The Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices.
2. This report has been prepared to provide Audit Committee Members with performance information and a position statement on Treasury Management as at 28 February 2019.

**Background**

3. Appendix 1 provides the Committee with position statements on investments and borrowing at 28 February 2019.

**Performance**

4. At 28 February 2019, investments total £78.5 million. The estimated level of interest receivable from treasury investments is £530,000 including interest earned on behalf of other entities. This is compared to a budget of £275,000. The forecast is based on current levels of investments and cash flow forecasts.
5. Borrowing is £709 million, with the average rate being 4.57%. Subject to the timing of external borrowing, the total interest forecast to be payable is £32.2 million compared to a budget of £32.4 million. This includes interest payable by the Housing Revenue Account. The variance is due to deferral of the timing of additional external borrowing in 2018/19
6. Based on the above forecasts, the projected level of internal borrowing at 31 March 2019 is £67 million. The final figure for 2018/19 is dependent on the level of capital expenditure, external grant funding and any further external borrowing undertaken in March 2019.

7. The Council is awaiting formal notification from Welsh Government in respect to the removal of the Housing Revenue Account borrowing cap. This is expected by 31 March 2019.

## Investments

8. Pages 2 and 3 of the Performance Report considers 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 2019 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 last report for December 2018 and this report, a further £4 million of external borrowing has been undertaken.
13. As set out in the Council's Treasury Management Strategy for 2019/20, considered by audit committee and approved by Council in February 2019, further external borrowing is required to be undertaken to meet the Council's projected borrowing requirement. Significant uncertainty remains in the financial markets primarily as a result of economic concerns, international trade issues and in the UK uncertainty in relation to Brexit. Whilst market movements cannot be predicted, further borrowing will be undertaken, following approval by the Corporate Director Resources, to meet future requirements where opportunities arise to do so at favourable rates.

14. The timing and quantum of any new external borrowing will be considered in conjunction with the Council's treasury advisors, having regard to forecasts for interest rates and performance in delivering the capital programme. Updates would be provided in future reports to Committee.

### **Reason for Report**

15. To provide Audit Committee Members with a performance position statement at 28 February 2019.

### **Legal Implications**

16. No direct legal implications arise from this report.

### **Financial Implications**

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

### **RECOMMENDATIONS**

18. That the Treasury Performance Report for 28 February 2019 be noted.

**CHRISTOPHER LEE**  
**CORPORATE DIRECTOR RESOURCES**  
**2 April 2019**

*The following appendix is attached*  
Appendix 1 – Cardiff Council Treasury Management Performance Report – 28 February 2019

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.

Mynediad Cyfyngedig i'r Ddogfen

Mae'r dudalen hon yn wag yn fwriadol

**CARDIFF COUNCIL  
CYNGOR CAERDYDD**

**AUDIT COMMITTEE:**

**2 APRIL 2019**

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**PROPOSED TREASURY MANAGEMENT PRACTICES - APRIL  
2019 ONWARDS**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM 10.2**

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

**Reason for this Report**

1. The Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and Practices.
2. This report has been prepared to provide Audit Committee Members with the proposed Treasury Management Practices (TMP's) to apply from April 2019.

**Background**

3. The Council carries out its treasury management activities in accordance with a Treasury Management Code of Practice for public services, updated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2017. 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 2019/20 in line with technical or other updates.

## Issues

5. The Council's proposed Treasury Management Practices are based on the requirements of the CIPFA Code and where relevant includes content as suggested by the Council's Treasury Management advisors in respect to Treasury investments. 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. The Audit Committee previously received the Treasury Management Practices in March 2018. In this latest version, the main changes are to update wording and dates where relevant; amendment for staffing changes; and updates for the revised Treasury Management Strategy approved by Council in February 2019. The practices have also been updated to include the approach to Non Treasury investments such as commercial property. It should be noted that such investments would be managed outside of normal treasury activity e.g. by the Councils Strategic Estates function in accordance with a strategy approved by Cabinet in November 2016.

## Reason for Recommendations

7. To note and provide comments on the proposed treasury management practices to apply from April 2019 which assists in the review and



assessment of the risk management, internal control and corporate governance arrangements of the authority in relation to treasury activities.

### **Legal Implications**

8. No direct legal implications arise from this report.

### **Financial Implications**

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

### **RECOMMENDATIONS**

10. Audit Committee to note the Treasury Management Practices to be implemented from April 2019.

**CHRISTOPHER LEE**  
**CORPORATE DIRECTOR RESOURCES**  
**25 March 2019**

*The following appendix is attached*

Appendix 1 – Treasury Management Practices and Annexes – Valid from April 2019

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.

Mynediad Cyfyngedig i'r Ddogfen

Mae'r dudalen hon yn wag yn fwriadol

**AUDIT COMMITTEE: 2 April 2019**

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**INTERNAL AUDIT PROGRESS REPORT, 2018-19****REPORT OF THE AUDIT MANAGER****AGENDA ITEM: 11.1**

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**Appendices E, F and G of the report are not for publication as they contain 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 Internal Audit as at 15 March 2019 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 the Internal Audit function. It is important that the plan allows for flexibility and the application of professional judgement to enable work to be prioritised, in order to maximise the use of audit resources and add most value to the organisation in targeting changing risks.
4. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence is maintained, as the Audit Manager is not responsible for managing any functions beyond the Investigations and Internal Audit teams. The Audit Manager reports administratively to the Head of Finance and functionally to the Audit Committee for audit-related matters. This involves Audit Committee approving key documents, such as the Audit Charter and Plan, and receiving and considering information on audit performance, findings and issues. These reporting lines were formalised through the approval of interim changes to the Audit Charter at the Audit Committee meeting on 13 November 2018.
5. The Audit Manager prepares quarterly progress reports, to provide a meaningful update on the work of Internal Audit. It provides an opportunity to consider emerging risks, issues and sources of assurance, and potentially refocus priorities. Prior to presentation to Audit Committee, the progress report is discussed with the Corporate Director Resources.

**Issues**

6. Over the last two years, the Internal Audit section has reported directly to the Head of Finance, who has provided managerial and strategic leadership as Acting Audit Manager. Following a successful recruitment process, from 1<sup>st</sup> October 2018 a full-time

Audit Manager has been in place who is not responsible for managing any functions beyond the Investigations and Internal Audit teams. The Audit Manager reports administratively to the Head of Finance and functionally to the Audit Committee for audit-related matters.

7. The accompanying Internal Audit Progress Update (Annex 1) sets out performance in relation to the Internal Audit Plan, for the period to 15 March 2019. It summarises the work performed, the priority recommendations raised, the critical findings and emerging trends across the Council, for the assurance of the Audit Committee.

#### Audit Delivery

8. There has been a strong momentum to deliver the audit plan in the final quarter of the year. Audit Committee Members will note that 48 audits were prioritised for delivery in quarter four, to seek to deliver the targeted 80% of the audit plan for 2018/19.
9. As at 15<sup>th</sup> March, 70% of the audit plan has been practically delivered, with 101 audits issued and 8 at a stage of quality assurance prior to issue. A further 12 audits are expected to be delivered by the financial year-end, which will represent an audit plan completion in the region of 78%, and a comprehensive review of the Council's control environment.
10. The small slippage in targeted delivery is represented by:
  - two planned data matching exercises as part of the National Fraud Initiative, in respect of Creditors and Payroll. These audits could not be undertaken at this stage, as we have been advised that the datasets will not be ready until May 2019, at which point the work will commence.
  - a spike in sickness cases in the Audit Team in the months of January and February 2019, meaning that some planned audits will conclude in early 2019/20.
11. **Appendix A** shows the list of audit reports issued from April to 15 March 2019, and the following paragraphs outline the key messages from the progress update. One hundred and thirteen reports were completed for the period covered, seventeen of which have been for consultation, financial accounts or grant audit engagements. Internal audit has issued an opinion of effective or effective with opportunity for improvement in 70% of the audit opinions provided.
12. **Appendix B** shows the audit plan as at 15 March 2019. This follows a review at the mid-year position of the most appropriate use of unallocated audit days for general assurance and value for money audit purposes, reflected in the current audit plan.

#### Audit Findings and Recommendations

13. Section 2.3 of Annex 1 provides details of the critical findings and emerging trends from audit work in quarter four as at 15 March 2019, with focus given to the unsatisfactory audit reports, and areas of Audit Committee.
14. A draft audit report for St. Peter's RC Primary School has been issued with an assurance opinion of *unsatisfactory*, and the findings are being considered by the Headteacher and Governing Body. During the course of the audit, Estyn published a report (following an inspection in October 2018) which led to financial delegation being withdrawn in January 2019, following which additional support and challenge has been provided by the Council. The draft report has also been shared with the Director of Education and, an executive summary report will be prepared for the next Audit Committee meeting, once

the audit has been finalised. The Director of Education and Lifelong Learning will attend the meeting of the Audit Committee in September 2019 and report on the assurances in place and the actions taken for school audits where particular concerns have been identified, among other matters.

15. A draft report has also been issued relating to procurement in Waste Management. The report has raised concerns about compliance, co-ordination and, due to gaps in these areas, value for money. Greater assurances have been sought by the Audit Manager in certain areas, and a meeting will take place to establish further details and conclude the audit work, for which an assurance opinion of *unsatisfactory* has been provided. Accordingly, an executive summary report will be prepared for the next Audit Committee meeting, once the audit has been finalised.
16. The Audit Committee has requested specific updates in respect of Brexit risk management and processes operated for the Youth Innovation Grant. The key findings in these areas are summarised in 2.3 of Annex 1.
17. In respect of Brexit risk management, Internal Audit has observed
  - Meaningful preparations, to respond to, and mitigate risks across the organisation. At the time of the audit review, all directors had been required to engage with supply chains regarding resilience issues and to provide an assurance statement to the Emergency Management Unit to confirm that any significant Brexit risks had been identified and that appropriate mitigation was in place. If delivered as instructed, this should provide an appropriate feedback loop for a full discussion and awareness within the Senior Management Team, for which a level of testing / validation could be sought from Emergency Management, where required.
  - The Establishment of a corporate risk and instructions for Brexit risks to be integrated and appropriately reflected into directorate risk registers in the ongoing quarter four review. Risk Champions will need to lead the delivery on this directorate risk update, with the Risk Management Team taking the role to challenge the overall delivery of risk register updates.
18. In respect of the Youth Innovation Grant, the audit identified effective governance and decision making at a strategic level through pre-award and award phases of the grant process. The grant had clearly defined objectives, specifications and requirements of service providers, and used an evaluation process with a scoring system to select providers, for which terms and conditions and grant agreements were in place for the selected providers. The governance and monitoring that was in place was considered as proportionate to the amount of funding and level of financial risk involved in the grant process. However, some opportunities were identified to improve performance monitoring at an operational level during the post-award phase. This would ensure that relevant data continues to be collected on individual projects to provide greater assurance that the expected outcomes are met; and to further inform decisions.
19. During the audit it was noted that an internal review of the Youth Innovation Grant has been arranged by the service to consider and, where appropriate, improve operational processes. The planned review by the service will inform how the Youth Innovation Grant is delivered into 2019/20, and draft internal audit recommendations have been raised for consideration in this process, relating to policy development and sharpening communications with stakeholders.

20. **Appendix C** provides an Executive Summary of the findings of an audit of Pontprennau Primary School. The report considered that strengthening of governance is needed, with it being recommended that the Governing Body improves its oversight and challenge of both delegated budget and private fund activities. Improvements are also required in the financial controls at an operational level. The audit recommendations have been agreed with the Chair of Governors and Headteacher.
21. **Appendix D** provides an Executive Summary of audit of Lamby Way Stores. Members will be aware of the work being undertaken in Waste Management having received a briefing paper in January 2019. The audit of stores at Lamby Way has now been finalised with an assurance opinion of *unsatisfactory* and, accordingly, an executive summary has been prepared. Internal Audit will be present during the year-end stock count 2018/19, to provide assurance on the processes and controls in place in quantifying the stock held.
22. The recommendations and progress at the reporting date are provided in the following appendices.
- **Appendix E** - This shows the red and red / amber recommendations that are not yet complete.
  - **Appendix F** - This shows the red and red / amber recommendations completed since the last Audit Committee in January 2019.
  - **Appendix G** - This shows the open red and red / amber recommendations with revised action dates.

### **Legal Implications**

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

### **Financial Implications**

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

## **RECOMMENDATIONS**

25. That the Audit Committee note and consider the contents of the Progress Report and appended documents.

**CHRIS PYKE**  
**AUDIT MANAGER**  
2 April 2019

The following are attached:

- Annex 1:** Internal Audit Progress Report, 2018-19  
**Appendix A:** Reports Issued  
**Appendix B:** Audit Plan as at 15 March 2019  
**Appendix C:** Executive Summary - Pontprennau Primary School  
**Appendix D:** Executive Summary – Stores at Lamby Way  
**Appendix E:** Red & red / amber open recommendations  
**Appendix F:** Red & red / amber recommendations completed since the last Audit Committee  
**Appendix G:** Red & red / amber open recommendations with revised action dates





## RESOURCES DIRECTORATE INTERNAL AUDIT SECTION

### Internal Audit Progress Report 2018/19 (as at 15<sup>th</sup> March 2019)

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<b>Appendix G</b>	Red & red / amber open recommendations with revised action dates

Prepared by: **Chris Pyke, Audit Manager**

# INTERNAL AUDIT PROGRESS REPORT

## 1. INTRODUCTION

### 1.1 Background

The Internal Audit plan for 2018/19 was approved by the Audit Committee at its meeting in March 2018. The plan provides the framework for audit work in the forthcoming year and is aligned to the Council's corporate governance arrangements, whilst also being responsive to any changes to the risks faced by the Council during the year.

The Internal Audit plan for 2018/19 is made up of a total of 2,706 days, with a total of 2,100 chargeable days for the audit team being agreed.

This report serves to provide an update on progress against the plan to 15<sup>th</sup> March 2019, whilst some wider performance data has been reported as at 1 March 2019.

### 1.2 Independence and objectivity

Until 30<sup>th</sup> September 2018, the Internal Audit section reported directly to the Head of Finance as Acting Audit Manager. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence was maintained as the Head of Finance has reported functionally to the Audit Committee for audit-related matters. For all other matters, the Head of Finance has reported to the Corporate Director, Resources. There were no impairments of independence or objectivity.

From 1<sup>st</sup> October 2018, an Audit Manager has been in post to manage the Internal Audit section. The Audit Manager is not responsible for managing any functions beyond the Investigations and Internal Audit teams. The Audit Manager reports administratively to the Head of Finance and functionally to the Audit Committee for audit-related matters. These reporting lines were formalised through the approval of interim changes to the Audit Charter at the Audit Committee meeting on 13<sup>th</sup> November 2018.

### 1.3 Continuing Professional Development

Personal review objectives for 2018/19 were discussed and agreed with the members of the team by the end of June 2018, with training and development objectives identified and taken into account in the allocation of training courses this year.

The six-month personal reviews for 2018/19 were held with the team to discuss progress against agreed objectives, determine whether any revisions to these objectives are required, and to identify relevant training needs. These reviews were completed within the Council deadline of 30<sup>th</sup> November 2018 and reinforced expectations and focus on internal audit quality and output. The Audit Charter 2019/20 includes an ‘output focussed and quality controlled’ performance management approach as a core component of the Quality Assurance and Improvement Programme (QAIP). The Audit Charter 2019/20 is included in agenda item 10.3.

Members will be aware that four auditors are being supported to become certified members of the Institute of Internal Auditors (IIA). Two of the team are working towards the Part 3 (final) exam and two are working toward Part 1.

## 2. SUMMARY OF WORK PERFORMED

### 2.1 Current Activities

The report to Audit Committee in March 2018 set the scene for audit coverage for the year and planned assignments were set up in the audit planning, monitoring and control database. Priority was given to any audits planned for 2017/18 but not completed during that year.

All auditors continue to be allocated three months’ work at the end of the previous quarter with an expectation their assignments will be effectively managed and delivered within that time scale. This approach focuses on outcomes, and improving the timeliness of audit reporting.

**Appendix A** shows the list of audit reports issued from April to 15<sup>th</sup> March 2019. This includes assignments carried forward from 2017/18, which were prioritised accordingly in this year’s plan.

The opinions given in reports issued to 15<sup>th</sup> March 2019 are shown below.

	Number of reports	Opinion				Other work undertaken
		Effective	Effective with opportunity for improvement	Insufficient with major improvement needed	Unsatisfactory	
Draft reports issued	22	1	7	1	2	11
Final reports issued	79	13	30	15	4	17
<b>TOTAL</b>	<b>101</b>	<b>14</b>	<b>37</b>	<b>16</b>	<b>6</b>	<b>28</b>

Further to the table above, the 'other work undertaken' comprised the following:

	<b>Audit</b>	<b>Comments</b>
1.	Rent Smart Wales	Provision of training
2.	Asset Management	Briefing paper
3.	Commercial Waste Recycling Centre	Briefing paper
4.	Whitchurch High School	Briefing paper
5.	Social Services – care packages	Consultation assignment
6.	Gatehouse	Briefing paper
7.	Review of banking arrangements - Shirenewton	Briefing paper
8.	Stock control at Lamby Way	Consultation assignment
9.	Income at Lamby Way	Consultation assignment
10.	Ysgol Coed y Gof	Advice and guidance
11.	Training on revised Contract Standing Orders and Procurement Rules	Training provided to Council officers
12.	Discretionary grants	Briefing paper
13.	NFI 2016	Review of data matches from NFI exercise 2016
14.	Use of legal advisers	Consultation assignment
15.	P2P Project Board attendance	Audit presence, monitoring and guidance
16.	Provision of training to schools	Development of presentations and delivery of training at meetings with Chairs of Governors
17.	Review of financial rules	Advice and guidance on financial controls
18.	Weighbridge (review and monitoring)	Audit presence, monitoring and guidance
<i>CRSA Audits</i>		
19.	Insurance	CRSA
20.	Council Tax	
21.	Creditor payments and processing	
22.	Education – ICT governance	
23.	GDPR	
24.	Asset Management x 5	

## 2.2 Annual plan

The annual audit plan was agreed by Audit Committee at its meeting in March 2018 and was based upon the assurance mapping exercise, which is carried out at periodic intervals during the preceding year. The PSIAS (2010) requires the risk-based plan to take into account the

organisation's assurance framework with the work of internal audit addressing both local and national issues.

In developing the annual plan, sources of assurance from within and outside the Council are considered, to enable informed decisions to be taken on the audits required. The process of 'assurance mapping' (using the 'three lines of defence' model) also captures emerging risks and issues as they arise during the year, so that the plan can be adapted where appropriate during the year. These changes are brought to the Audit Committee as they arise.

At the mid-year position, the annual plan was reviewed to determine the most appropriate use of unallocated audit days for general assurance and value for money audit purposes. These proposed changes were reported to the last meeting of the Audit Committee on 13<sup>th</sup> November 2018, and **Appendix B** shows the audit plan as at 1<sup>st</sup> March 2019. Further information on the delivery of the audit plan is included within *Section 3.2 - Performance and Benchmarking*.

### 2.3 Critical findings or emerging trends

In accordance with the PSIAS, Internal Audit is required to report to Audit Committee on critical findings or emerging trends and, based on the work undertaken since the last audit progress report, these details are provided below.

Following Audit Committee notification of the draft findings of an audit at Pontprennau Primary School, the audit has now been finalised with an assurance opinion of *unsatisfactory* and, accordingly, an executive summary has been prepared and is attached in **Appendix C**. The report considered that strengthening of governance is needed, with it being recommended that the Governing Body improves its oversight and challenge of both delegated budget and private fund activities. Improvements are also required in the financial controls at an operational level. The audit recommendations have been agreed with the Chair of Governors and Headteacher.

A draft report following an audit at St. Peter's RC Primary School has been issued with an assurance opinion of *unsatisfactory* and the findings are being considered by the Headteacher and Governing Body. During the course of the audit, Estyn published a report (following an inspection in October 2018) which led to financial delegation being withdrawn in January 2019, following which additional support and challenge has been provided by the Council. The draft report has also been shared with the Director of Education and, an executive summary report will be prepared for the

next Audit Committee meeting, once the audit has been finalised. The Director of Education and Lifelong Learning will attend the meeting of the Audit Committee in September 2019 and report on the assurances in place and the actions taken for school audits where particular concerns have been identified among other matters.

Members will be aware of the work being undertaken in Waste Management having received a briefing paper in January 2019. The audit of stores at Lamby Way has now been finalised with an assurance opinion of *unsatisfactory* and, accordingly, an executive summary has been prepared and attached as **Appendix D**. Internal Audit will be present during the year-end stock count 2018/19, to provide assurance on the processes and controls in place in quantifying the stock held.

A draft report has also been issued relating to procurement in Waste Management. The report has raised concerns about compliance, co-ordination and, due to gaps in these areas, value for money. Greater assurances have been sought by the Audit Manager in certain areas, and a meeting will take place to establish further details and conclude the audit work, for which an assurance opinion of *unsatisfactory* has been provided. Accordingly, an executive summary report will be prepared for the next Audit Committee meeting, once the audit has been finalised.

The Audit Committee has requested specific updates in respect of Brexit Risk Management and processes operated for the Youth Innovation Grant. The key findings in these areas are summarised below.

*a. Brexit Risk Management*

As part of an audit of Risk Management, one particular focus was the planning and preparation for Brexit. Audit held discussions with the Risk Management Team, the Risk Champions Network, Policy and Emergency Management Unit lead officers, and attended and observed a briefing for key officers allocated to support a daily Council-wide local intelligence response to the Local Resilience Forum, for reporting to Regional and Central Government.

In respect of Brexit risk management, Internal Audit has observed:

- meaningful preparations, to respond to, and mitigate risks across the organisation. At the time of the audit review, all directors had been required to engage with supply chains

regarding resilience issues and to provide an assurance statement to the Emergency Management Unit to confirm that any significant Brexit risks had been identified and that appropriate mitigation was in place. If delivered as instructed, this should provide an appropriate feedback loop for a full discussion and awareness within the Senior Management Team, for which a level of testing / validation could be sought from Emergency Management, where required.

- The Establishment of a corporate risk and instructions for Brexit risks to be integrated and appropriately reflected into directorate risk registers in the ongoing quarter four review. Risk Champions will need to lead the delivery on this directorate risk update, with the Risk Management Team taking the role to challenge the overall delivery of risk register updates.

*b. Youth Innovation Grant Review*

The Audit Committee has requested an evaluation of performance and transparency of the commissioning model in respect of the Youth Innovation Grant, for which an internal audit was arranged, and completed in quarter four. The audit identified effective governance and decision making at a strategic level through pre-award and award phases of the grant process. The grant had clearly defined objectives, specifications and requirements of service providers, and used an evaluation process with a scoring system to select providers, for which terms and conditions and grant agreements were in place for the selected providers.

The governance and monitoring that was in place was considered as proportionate to the amount of funding and level of financial risk involved in the grant process. However, some opportunities were identified to improve performance monitoring at an operational level during the post-award phase. This would ensure that relevant data continues to be collected on individual projects to provide greater assurance that the expected outcomes are met; and to further inform decisions.

During the audit it was noted that an internal review of the Youth Innovation Grant has been arranged by the service to consider and, where appropriate, improve operational processes. The planned review by the service will inform how the Youth Innovation Grant is delivered into 2019/20, and draft internal audit recommendations have been raised for consideration in this process, relating to policy development and sharpening communications with stakeholders.

## 2.4 Value for Money Findings

The vast majority of audits undertaken by the Internal Audit Team have objectives, which cover value for money assurances, from which there has been a general satisfactory level of assurance, which can be reported for the reporting period.

As highlighted in section 2.3 above, the draft audit report relating to procurement in Waste Management has identified concerns about compliance, co-ordination and, due to gaps in these areas, value for money. Greater assurances have been sought by the Audit Manager in certain areas, and a meeting will take place to establish further details, conclude the audit work and have a clearer view in respect of value for money. Audit Committee will receive further information when the audit view is consolidated through the discussions and details necessary to finalise the audit.

A number of audits which have contained a value for money focus are underway at the financial year-end, and are expected to be reported in the Audit Committee meeting of 25 June 2019. These audits comprise value for money in enforcement, agency – consultancy – interim workers, workforce deployment and sickness absence.

## 2.5 Resources and training received

There were 2,418 days coded on auditor timesheets as at 1<sup>st</sup> March 2019, against a pro-rata plan of 2,550 days. Of this, 1,569 days have been chargeable to audits (65%) and 35 related to non-audit duties (including Trades Union duties).

The Audit team supports the Welsh Chief Auditor Group training programme co-ordinated by colleagues in Newport Council and the proposed programme for 2019/20 has recently been received. Consideration is being given to attendance at the courses and the benefits to be derived from attending, relative to current skills and experience. Two auditors have recently attended leadership training courses which covered a range of communication and behavioural areas, from which learning resources and feedback are being shared with the audit team.

## 3. **AUDIT PERFORMANCE AND ADDED VALUE**

### 3.1 Added value

Relationship Manager meetings have been arranged with every Director and diarised for quarterly meetings throughout 2018/19. These are useful in progressing matters relating to



audits completed and planned, and for discussing corporate and directorate risks, issues and areas for potential audit input. Senior members of the team also meet regularly with officers in directorates to discuss recommendations made and other issues for audit input.

Audit has issued 47 client questionnaires to 1<sup>st</sup> March 2019 and has received 31 responses (a response rate of 65.96%). One question asked of clients is whether they considered that the audit work added value to their service, and 80% of the respondents thought that the audits added value.

**Appendix E** shows the red and red / amber recommendations that are not yet complete (including those that have not yet reached their proposed action date), and the RAG ratings for these are summarised in the table below.

Directorate	Actions still open	Red	Red / amber	Amber / green or green
Planning Transport and Environment	42	4	20	18
Housing and Communities	2		1	1
Corporate Governance	2		1	1
Economic Development	11	1	6	4
Education and Lifelong Learning	33	4	12	17
External and grants	2			2
Fundamental	8	1	4	3
Governance & Legal Services	5			5
Other assurance	6		3	3
Resources	7		1	6
Social Services	15	1	7	7
	133	11	55	67
Schools	66	5	20	41
<b>TOTAL</b>	<b>199</b>	<b>16</b>	<b>75</b>	<b>108</b>

**Appendix F** shows the red and red / amber recommendations that have been completed since the last Audit Committee in January 2019.

### 3.2 Performance and Benchmarking

The Audit team is a member of the Welsh Chief Auditors and Core Cities benchmarking groups for 2018/19. The outputs of the Welsh Chief Auditors Group were reported to the Audit Committee in June 2018 and the Core Cities benchmarking group benchmarking exercise is due to take place in quarter 1 2019/10, following some adjustments to the format of the performance measures.

The Internal Audit team also has internal key performance measures, which are reported on a quarterly basis to Resources management team. The Council's performance targets for 2018/19 audit work and the actual outcome at the end of Q1, Q2 and Q3 are as in the table below:

Performance Indicator	2017/18 Outcome	2018/19 Target	Actual as at end of Q1	Actual as at end of Q2	Actual as at end of Q3
The percentage of audit reports delivered within six weeks	74.6%	78.0%	80%	63%	69%
The average number of audit productive days per employee	143.43	170.00	37.90	68.91	104.59
The average number of finalised audits per FTE (excluding schools' thematic reviews)	6.52	10.00	3.19	5.10	8.18
The percentage of audit recommendations implemented within the agreed timescale	86%	90%	76.92%	55.53%	73.47%
The percentage of the audit plan completed (current plan)	75%	80%	25.32%	35.71%	50.00%
<i>The percentage of the audit plan completed (original plan)</i>	<i>75%</i>	<i>80%</i>	<i>25%</i>	<i>35.26%</i>	<i>49.36%</i>

The Audit Manager has reiterated the expectation for each auditor to take responsibility for delivering their portfolio of audits, and to follow up on the delivery of client recommendations as priority areas. The following paragraphs show an improving performance in these areas.

#### Audit Plan Delivery

There has been a strong momentum to deliver the audit plan in the final quarter of the year. Audit Committee Members will note that 48 audits were prioritised for delivery in quarter four, to seek to deliver the targeted 80% of the audit plan for 2018/19.

As at 15<sup>th</sup> March, 70% of the audit plan has been practically delivered, with 101 audits issued and 8 at a stage of quality assurance prior to issue. A further 12 audits are expected to be delivered by the financial year-end, which will represent an audit plan completion in the region of 78%, and a comprehensive review of the Council's control environment.

The small slippage in targeted delivery is represented by:

- two planned data matching exercises as part of the National Fraud Initiative, in respect of Creditors and Payroll. These audits could not be undertaken at this stage, as we have been advised that the datasets will not be ready until May 2019, at which point the work will commence.
- a spike in sickness cases in the Audit Team in the months of January and February 2019, meaning that some planned audits will conclude in early 2019/20.

The final audits being concluded in 2018/19 are listed below.

Draft Prepared – Due for issue (at 15.03.19)	To conclude by 31.03.19
Music Service Expenditure Review	Communities, Partnership & Collaborative Governance
Health and Safety Framework	Communities, Budgeting and Forecasting
Risk Management Arrangements	Housing Benefits and LHA
Willows High School	Sickness absence
Ysgol Glantaf	Review of Gatehouse
City Deal	Economic Development, Budgeting and Forecasting
Cloud Computing	Payroll – In-year Testing
Whitchurch High School	Asset Management CRSA Reviews x 2
	Stock Check observations x 2
	Housing Rents CRSA
<b>Current Audit Plan Delivery 70%</b>	<b>Expected Delivery at 31.03.2019 78%</b>
<p>The target for 2018/19 was 80%</p> <p><i>(75% achieved in 17/18)</i></p>	

### Recommendation Progress

The team has given continued attention to following up on the implementation of recommendations due, with priority given to those of a red and red/amber priority rating. Management are required to either provide evidence that all red and red / amber recommendations due have been implemented by the target date, or to revise target dates and give renewed attention to implementation.

Audit Committee will note the continued attention to this area in the appended recommendation reports, whilst some updates are due at the reporting period from audit clients.

### 3.3 Processes

The management information available from both SharePoint and DigiGOV has been used to provide performance management information for each auditor, the section as a whole, and the information provided in this report. Each of the performance indicators shown in the table above (for the team as a whole) are given to individual auditors at the end of the quarter, along with the auditor's individual outcomes. These form part of the discussion with the auditors at the monthly meetings to discuss progress on assignments, with an emphasis on the completion of audit engagements to support the completion of the audit plan.

The table below shows the instances where implementation dates have been revised by audit clients on SharePoint (as at 01.03.19). This reporting mechanism is used to monitor progress and target discussions on the effective management of risk management in relationship management meetings each quarter.

Directorate / Audit Category	Number of recommendations with revised dates	Actions now implemented	Actions still open
Education and Lifelong Learning	37	9	28
<i>Social Services</i>	27	13	14
<i>Resources</i>	11	6	5
Housing and Communities	3	1	2
Planning Transport and Environment	9	3	6
Economic Development	5	4	1
External and grants	2	1	1
Fundamental	2	1	1
<i>Corporate Governance</i>	2	2	
<i>Governance and Legal Services</i>	4		4
<i>Other assurance</i>	9	5	4
	111	45	66
Schools	117	99	18
TOTAL	228	144	84

**Appendix G** provides more detail on the red and red / amber recommendations with revised action dates, and detail of the amber / green and green recommendations is provided to Audit Committee via a separate route.

## 4. CONCLUSION

- 4.1 There has been steady increase in delivery of the audit plan in quarters three and four, as outlined in section 3.2. There was an increase in performance across all indicators in quarter three, and the full year's data will be reviewed against all targets as soon as the this data is available.

The expectation set for the Audit Team to apply an 'output focussed, quality controlled' ethos to audit delivery will continue as we enter the new financial year looking to deliver steady and consistent progress through the audit plan in the financial year ahead.

Reports Issued as at 15<sup>th</sup> March 2019

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
<b>Fundamental / High</b>				
Social Services – governance	Effective			
Social Services – effective decision making	Effective			
Resources – governance	Effective			
Governance & Legal Services – governance	Effective			
Audit of Risk Management	Effective			
Planning Transport and Environment – effective decision making	Effective			
Communities – effective decision making	Effective			
Education – school governance	Criegiau	Effective		
	St. Illtyd's	Effective		
	Coed Glas	Effective		
	Hywel Dda	Effective		
	Ysgol Coed y Gof	Effective		Draft report issued
	Birchgrove	Effective with opportunity for improvement		
	Cardiff	Effective with opportunity for improvement		
	Radyr	Effective with opportunity for improvement		
	Danescourt	Effective with opportunity for improvement		
	Holy Family	Effective with opportunity for improvement		
	Peter Lea	Effective with opportunity for improvement		
St. Fagan's	Effective with opportunity for improvement			
Council Tax (in year testing)	Effective			
Audit of Corporate Governance	Effective			

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Education – partnerships and collaborative governance	Effective			
Economic Development – partnerships and collaborative governance	Effective			
G&LS – budgeting and forecasting	Effective			
Social Services – budgeting and forecasting	Effective			
G&LS – effective decision making	Effective			Draft report issued
Economic Development – governance	Effective with opportunity for improvement			
Economic Development – commissioning and procurement	Effective with opportunity for improvement			
Resources – commissioning and procurement	Effective with opportunity for improvement			
Resources – effective decision making	Effective with opportunity for improvement			
Social Services – commissioning and procurement	Effective with opportunity for improvement			
G&LS – partnerships and collaborative governance	Effective with opportunity for improvement			
Planning, Transport and Environment – commissioning and procurement	Effective with opportunity for improvement			
Economic Development – effective decision making	Effective with opportunity for improvement			
Communities – commissioning and procurement	Effective with opportunity for improvement			
Business Continuity	Effective with opportunity for improvement			
Social Services – partnerships and collaborative governance	Effective with opportunity for improvement			
Planning, Transportation and Environment – partnerships and collaborative governance	Effective with opportunity for improvement			
Income and Debtors	Effective with opportunity for improvement			

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Education – budgeting and forecasting	Effective with opportunity for improvement			
PTE – budgeting and forecasting	Effective with opportunity for improvement			
Creditors – payment processing 2017/18	Effective with opportunity for improvement			Draft report issued
Fleet Management Information Technology (FMIT)	Insufficient with major improvement needed	2	2	
School Organisation Access and Planning	Insufficient with major improvement needed	3	3	
Sports Joint Venture (GLL)	Insufficient with major improvement needed	1		
Commercial Services – BM charging mechanism	Insufficient with major improvement needed	1		
Acting up payments and overtime at Lamby Way	Insufficient with major improvement needed	1		
Purchasing cards	Insufficient with major improvement needed			
Payroll review in Planning, Transport and Environment	Insufficient with major improvement needed	1		Draft report issued
Lamby Way stores	Unsatisfactory	2	2	
<b>Medium</b>				
Education - commissioning and procurement	Cantonian	Effective		
	Tongwynlais Primary	Effective with opportunity for improvement		
Cradle to Grave – Gulliver’s	Effective with opportunity for improvement			
Communities First	Effective with opportunity for improvement			



Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Front of House – Cardiff Castle	Effective with opportunity for improvement			
Flood risk management	Effective with opportunity for improvement			
Whitchurch Primary School	Effective with opportunity for improvement			
Programmes and projects in CADT	Effective with opportunity for improvement			
Llandaff CiW Primary School	Effective with opportunity for improvement			
Regional Social Care Training Unit	Effective with opportunity for improvement			Draft report issued
Youth Innovation Grant	Effective with opportunity for improvement			Draft report issued
Atebion Solutions	Effective with opportunity for improvement			Draft report issued
IT governance	Effective with opportunity for improvement			Draft report issued
Baden Powell	Insufficient with major improvement needed			
Mileage and subsistence	Insufficient with major improvement needed			
St. David's	Insufficient with major improvement needed	2	2	
Income and banking control procedures at Lamby Way	Insufficient with major improvement needed			
Safeguarding Arrangements	Insufficient with major improvement needed			Draft report issued
Youth Foods – County Hall restaurant	Insufficient with major improvement needed			Draft report issued

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Park and Ride (events)	Insufficient with major improvement needed			Draft report issued
Music Service	Unsatisfactory	5	5	
Income in school kitchens	Unsatisfactory	2	2	
Pontprenau	Unsatisfactory	6	6	
St. Peter's	Unsatisfactory	5		Draft report issued
<b>Grants / Accounts / External Bodies</b>				
Joint Committees	Glamorgan Archives	Audits undertaken to support the Council's Statement of Accounts		
	Prosiect Gwyrdd			
	Port Health			
Cardiff Further Education Trust	Audit of Statement of Accounts			
Norwegian Church Preservation Trust 2015 - 2017	No assurance opinion given	4	4	
Welsh Local Government Association	Final report issued			
Flying Start	Final report issued			
City Deal	Final report issued			
Education – summary of thematic audits				Draft report issued
Corporate – partnerships and collaborative governance	Effective with opportunity for improvement			Draft report issued
Norwegian Church Preservation Trust 2017/18	Effective with opportunity for improvement			Draft report issued
<b>Other assignments</b>				
Rent Smart Wales	Consultation assignment – provision of training			
Asset management	No assurance opinion given			Briefing paper
Commercial Waste Recycling Centre	No assurance opinion given			Briefing report
Whitchurch High School	No assurance opinion given			Briefing paper
Social Services – care packages	Consultation assignment			
Gatehouse	No assurance opinion given			Briefing report
Review of banking arrangements – Shirenewton	No assurance opinion given			Briefing paper

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Stock control at Lamby Way	Consultation assignment			
Income at Lamby Way	Consultation assignment			
Ysgol Coed y Gof	Provision of advice and guidance			
Training on revised Contract Standing Orders and Procurement Rules	Provision of training to Council officers			
Discretionary grants	No assurance opinion given			Briefing paper
NFI 2016	Review of data matches from NFI exercise 2016			
Use of legal advisers	Consultation assignment			
P2P Project Board attendance	Audit presence, monitoring and guidance			
Provision of training to schools	Development of presentations and delivery of training at meetings with Chairs of Governors			
Review of financial rules	Advice and guidance on financial controls			
Weighbridge (review and monitoring)	Audit presence, monitoring and guidance			
Insurance	CRSA			
Council Tax	CRSA			
Creditor payments and processing	CRSA			
Education – ICT governance	CRSA			
GDPR	CRSA			
Asset Management x 5	CRSA			

**Audit Plan (as at 31.12.18)**

**See separate sheet**

## EXECUTIVE SUMMARY

### PONTPRENNAU PRIMARY SCHOOL

#### BACKGROUND

- 1 Pontprennau Primary School opened in September 2015 and incorporates a former community centre for which it provides community facilities outside of school hours. It received formula funding of £1,116,000 in 2018-19 for 268 pupils aged from 3-7. It had not previously been subject to an internal audit, or Estyn inspection.
- 2 The School Governing Body had been subject to a turnover of a number of members with three clerks to governors within a 12 month period. The Governing Body started the new academic year with one Parent and two Local Authority Governor vacancies and an acting Chair and Vice Chair.
- 3 The Headteacher had returned from a period of absence, during which time there had been some delay in the setting of a deficit budget pending advice and support from the Challenge Advisor and Central Education.

#### MAIN CONCLUSIONS

- 4 Based on the work undertaken and the samples tested during the audit, it was considered that there was an overall **Unsatisfactory** level of control for which attention was required to address control gaps and exposure to risk.
- 5 The Governing Body needed to strengthen its oversight and challenge of delegated budget and private fund activities, and to oversee targeted improvements in the areas identified in the Audit Action Plan. There was a need for regular reconciliations and private fund audits as school budget monies were being deposited in the private fund account and not in the budget account intact. At an operational level, general financial control required improved Headteacher oversight and action to address the level of reliance on LFM officers to undertake financial monitoring.
- 6 During the audit, a number of Governors has not concluded their mandatory training and declarations of business interest could not be evidenced. Processes needed to be established to ensure all statutory policies and procedures were appropriately reviewed, authorised and published. School governance documents and policies had not been reviewed since 2016, accordingly, audit advice was provided to improve control around officer authority levels for Governor approval.
- 7 The audit identified a number of concerns relating to the appropriate recording and accounting for transactional school activities. It was not possible to provide sufficient assurance that all school budget income and expenditure was appropriately accounted for, as:
  - All 'cashless' income was deposited to the private fund account relying on the manual identification and transfer of relevant school budget income by school office staff.
  - Records were incomplete for contracts entered, purchases made and lettings making it difficult to use these records to account for and reconcile transactions on the school budget account.
  - The private fund, with a balance of £18,017, had not been audited since 2015/16 with the last reconciliation signed by the Clerk and Headteacher in June 2017. There was a lack of oversight and external assurance on the fund's administration.

## **RECOMMENDATIONS FOR ACTION**

- 8 The report included sixteen recommendations for improvement, thirteen of which were red and red/amber rated and required immediate attention.

## **LATEST POSITION**

- 9 The recommendations were agreed by the Headteacher and Governing Body.
- 10 Internal Audit will continue to monitor the internal control environment, with particular attention to the financial management of the school budget and private fund.

## EXECUTIVE SUMMARY STORES AT LAMBY WAY

### BACKGROUND

- 1 As part of the ongoing programme of audit work, a review was completed on the processes and procedures in place relating to Lamby Way Stores, following ongoing stock discrepancies identified through systematic stock checks.
- 2 The stores hold standard equipment, materials and products for use by operatives within the Waste Management teams and household products such as recycling / wheelie waste bins and wormeries. The stock held at the last stock check had a value of circa £413k.
- 3 Lamby Way Stores transactions are managed using the SAP system and goods issues are managed via a bar-coded system for the majority of stock items, with manual processes in place during peak times of operation. Stock re-order levels are set within SAP and purchase requisitions are automatically generated when these levels are reached.
- 4 Stock is issued from two secure warehouses and twelve insecure garages that are linked to three insecure tunnels. Certain stock items were also stored externally in various yards. Obsolete stock items were noted and had not been adjusted on SAP or physically removed from the premises. There were also items identified, such as wheelie bins and wormeries, that had not been recorded on an asset register or stock inventory.

### MAIN CONCLUSIONS

- 5 The audit work has concluded and a final report has been issued with an assurance rating of **Unsatisfactory**, for which attention was required to address control gaps and exposure to risk.
- 6 Stock adjustments discrepancies for the 2017/18 financial year represented 83% of the recorded stock value on SAP for items recorded but not physically present and 41% for items physically present but not recorded on SAP. This equated to a net adjustment of 42% and £174,950.
- 7 The level of stock discrepancies across stock categories indicates an inconsistent application of core processes to ensure all transactions in and out of the stores are consistently and accurately recorded.
- 8 The audit identified a number of concerns relating to the consistent application of transactional and security control mechanisms, namely the prompt raising of purchase orders to the required stock levels, the prompt receipting of items once verified as received and, when required, manual stock process adhered to. There is also a need to ensure that all stock is appropriately secured and stored in a co-ordinated manner.
- 9 Through the auditor's observation of the stores in operation, and a sample of transactions and associated documentation, the systems in place are considered to be reasonably effective, for which a limited number of recommendations have been raised. It is important for management to prioritise their attention to communicating, monitoring and managing a culture of strict adherence to these processes to achieve the level of accountability and control required.

- 10 Whilst there were no inherent concerns raised regarding the integrity of the SAP stock system, a recommendation has been raised to review the re-order levels established in order to reduce the level of manual intervention required to maintain effective stock levels. The audit reported delays in stock management processes, and a need to promptly raise stock orders to the levels necessary when required and to receipt items promptly once they have been verified as satisfactorily received.
- 11 Recommendations have also been raised to ensure that in instances when stock needs to be manually issued, processes are properly adhered to, and to address some stock security weaknesses.

## **RECOMMENDATIONS FOR ACTION**

- 12 The report includes ten recommendations for improvement, which were agreed by management.

## **LATEST POSITION**

- 13 Management are working through the recommendations to address the issues by the target dates agreed.
- 14 Internal Audit will be present during the year-end stock count 2018/19, to provide assurance on the processes and controls in place in quantifying the stock held.



**Red & Red / Amber Open Recommendations**

**See separate sheet**

**Red & Red / Amber Recommendations Completed Since Last Meeting**

See separate sheet

**Red & Red / Amber Open Recommendations with Revised Action Dates**

**See separate sheet**

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.

Mynediad Cyfyngedig i'r Ddogfen

Mae'r dudalen hon yn wag yn fwriadol

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

Mynediad Cyfyngedig i'r Ddogfen

Mae'r dudalen hon yn wag yn fwriadol

**AUDIT COMMITTEE: 02 April 2019**

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**INTERNAL AUDIT INVESTIGATION TEAM PROGRESS REPORT 2018/19**

**REPORT OF THE AUDIT MANAGER**

**AGENDA ITEM: 11.2**

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**Reason for this Report**

1. The Audit Committee's Terms of Reference requires Members to:
  - Review the assessment of fraud risks and potential harm to the council from fraud and corruption.
  - Monitor the Counter-fraud strategy, actions and resources.
2. This report has been prepared to provide Audit Committee with an update on the work of the Audit Section's Investigation Team, as at the 15<sup>th</sup> March 2019.
3. It also informs Audit Committee on the development of a draft Counter-Fraud and Corruption Strategy.

**Background**

4. The Audit Manager prepares quarterly progress reports, outlining the work undertaken by the Investigation's Team, its key outputs and outcomes.
5. Progress reports focus on the proactive and reactive investigation activities underway, including participation in initiatives, such as National Fraud Initiative (NFI) data matching exercises. Information is also provided on the officer training delivered by the team.
6. This report also includes information on the draft Counter-Fraud and Corruption Strategy, which is being developed to set out the strategic aim improve understanding of fraud risk, and to prevent and detect fraud more effectively across the organisation and its activities.

**Issues**

Progress Update

7. The progress report can be found at Appendix A, and highlights the resource demands a large-scale Police investigation has had on the team's ability to conduct other investigations for much of the reporting period.
8. The employee investigations within Waste have been concluded, however there will still be resource implications for the Investigation Team, albeit greatly reduced, as individuals proceed through the Council's Disciplinary process.

9. Completed investigations have continued to reduce compared to last year, whilst there are 53 current investigations ongoing.
10. Referrals received are higher than last year, the team continues to risk assess and prioritise cases to ensure that investigations are undertaken as necessary.
11. The value of concluded reactive investigations exceeds £73,000; additionally the team continues to process National Fraud Initiative, Council Tax exercise matches. During 2018/19, 2,323 matches were processed, resulting in 539 overpayments classified as fraud or error, totalling £286,000.
12. Despite resource pressures, mandatory Investigating Officer training has continued to be delivered and well received, including a bespoke session for Senior Managers within Social Services. The number of delegates allowed on each session has been increased, resulting in two less training sessions this year with an overall attendance comparable with 2017/18.

#### Counter-Fraud and Corruption Strategy Development

13. A draft Counter-Fraud and Corruption Strategy is in development, and is designed to support a fraud reporting culture, strong fraud awareness, assurance, and ownership within directorates and teams.
14. The Strategy will sit above the current range of core policies and documents which support one or more of its Counter-Fraud objectives as follows:
  - 'Acknowledge' and understand fraud risks
  - 'Prevent' and detect more fraud
  - 'Pursue' and punish fraudsters
15. Over the coming week's discussions and reviews will take place with the Senior Management Team and the portfolio Cabinet Member to agree a final draft document.
16. The draft Strategy will be circulated to Members of the Audit Committee within the next few weeks, who will have an opportunity to comment and submit questions, which will be addressed in the Audit Committee Meeting of 25 June 2019 through an agenda item on the draft Strategy.

#### **Legal Implications**

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

#### **Financial Implications**

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

## **RECOMMENDATIONS**

19. That the Committee:

- Notes the content of the progress report
- Notes the current development of the draft Counter-Fraud Strategy

**CHRIS PYKE**  
**AUDIT MANAGER**  
02 April 2019

The following is attached:

**Appendix A:** Investigation Team - Progress Report March 2019

Mae'r dudalen hon yn wag yn fwriadol

# Investigation Team – Progress Report

## Resources



The Waste investigation has challenged the capacity of the Investigation Team, specifically in terms of supporting the Police, coordinating resources and leading the resultant internal Disciplinary Policy investigations, all of which have now been concluded. A number of these will progress, as appropriate, in accordance with the Council's Disciplinary Policy.

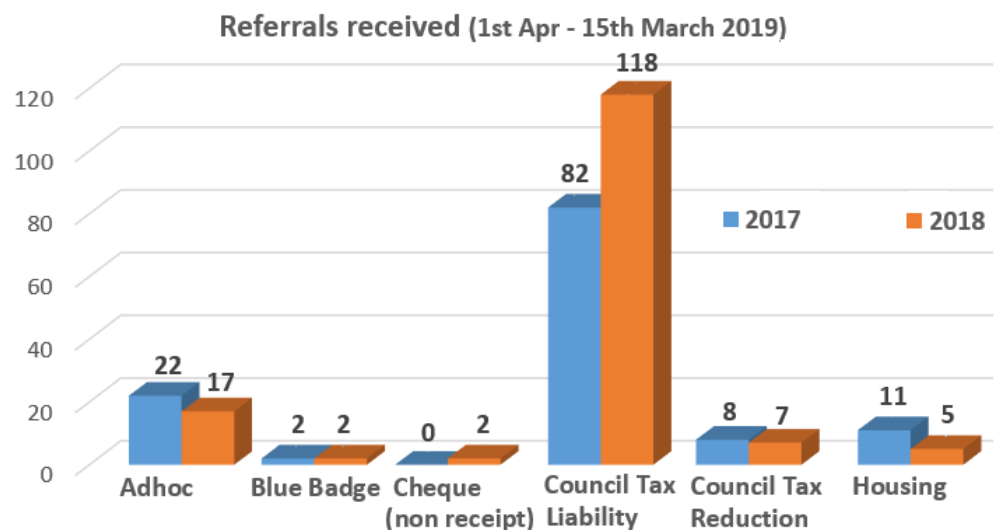
Additionally, the team continues to deal with requests for advice, support, and guidance. Data matching output continues to be reviewed, and there has been an increase in referrals received.

## Training

Mandatory Investigating Officer training has continued to be delivered this year by the team, with 9 sessions / 75 attendees, compared to 11 sessions / 78 attendees last year. Feedback continues to be positive with 100% satisfaction.

## Reactive - Referrals

151 fraud referrals were received, compared to 125 for the same period last year:



## Proactive - Referrals

The Cabinet Office / Wales Audit Office - National Fraud Initiative matches data across organisations and systems to help public bodies identify fraud and overpayments. Since its commencement in 1996, NFI exercises have resulted in the detection and prevention of more than £35.4 million of fraud and overpayments.

Forty-eight Welsh public sector bodies took part in the 2016/17 exercise, including local authorities, police forces, fire authorities, NHS bodies, the Welsh Government, the Wales Audit Office and some housing associations and Welsh government sponsored bodies.

The Investigation Team submits data on behalf of the Council and receives reports of potential frauds and irregularities in respect of the annual and biennial exercises.

In respect of the annual Council Tax exercise, the Investigation Team has reviewed 2,323 matches, resulting in 539 overpayments classified as fraud or error, totalling £286,000.

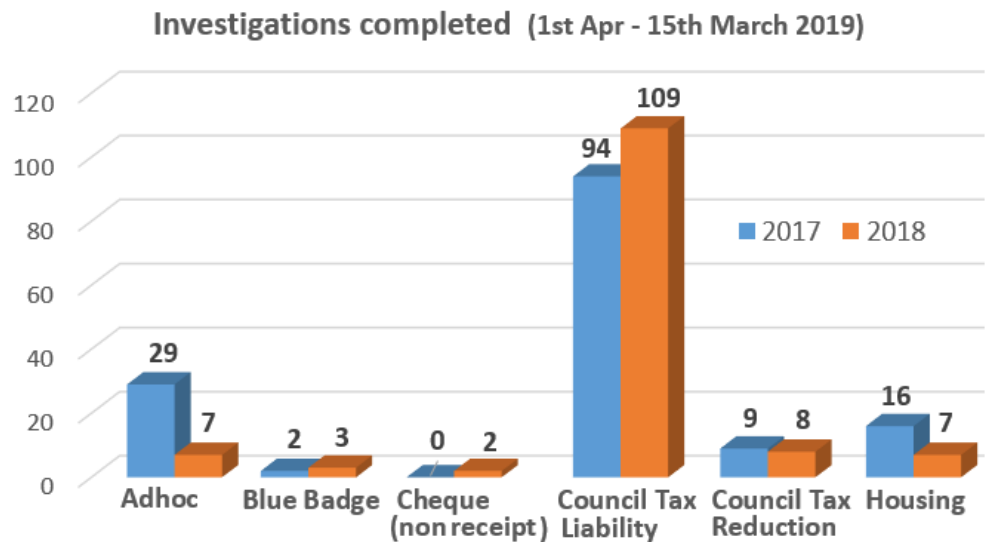
Initial output from the biennial, National Fraud Initiative exercise has recently been received, generating the following matches:

	High	Medium	Low
Blue Badge	531	148	0
Council Tax Reduction	50	169	1163
Housing Tenants	12	53	40
Pensions	1	0	0
Personal Budgets	20	4	6
Private Care Homes	13	38	0
Resident Parking	27	0	1
Right to Buy	40	3	0
Waiting List (Housing)	20	436	1

Work has commenced on these matches and will continue into 2019.

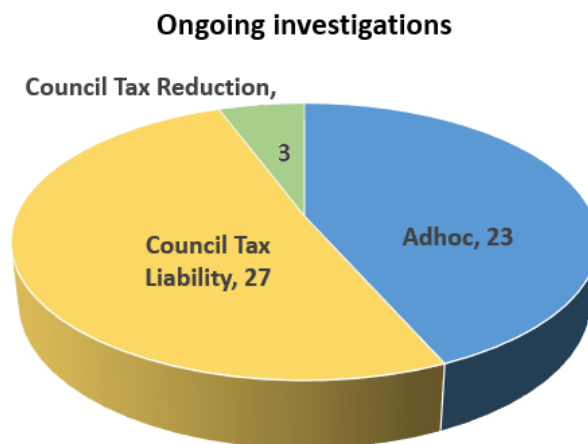
**Investigations concluded**

136 fraud investigations were concluded in 2018/19, with a total value exceeding £73,000 compared to 150 cases in 2017:



**Investigations ongoing**

There are currently 53 investigations ongoing:



Adhoc referrals relate to employee misconduct or allegations of fraud committed by external persons against the Council.



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**INTERNAL AUDIT CHARTER AND AUDIT PLAN 2019/20**

**REPORT OF AUDIT MANAGER**

**AGENDA ITEM: 11.3**

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**Reason**

1. The Terms of Reference for the Audit Committee sets out its responsibility:
  - 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.
2. The Audit Committee has a responsibility to review its Terms of Reference annually, and under the Public Sector Internal Audit Standards (PSIAS Standard 1110 – organisational independence), is required to approve the Internal Audit Charter and the risk based Internal Audit Plan.
3. This report has been prepared to provide Audit Committee Members with the Draft Internal Audit Charter for 2019/20 and appendices, including a draft Audit Committee Terms of Reference. The report also provides the Draft Audit Plan for 2019/20.

**Background**

4. At its meeting on 22 January 2019, the Draft Internal Audit Charter and Audit Plan 2019/20 were presented for Audit Committee to consider and provide comments.
5. This report has been prepared to provide Audit Committee Members with details of minor additions to the Internal Audit Charter for 2019/20. In particular, these updates reflect a consideration of a refreshed CIPFA Local Government Application Note, which was published in February 2019. Accompanying the Charter is the Audit Committee Terms of Reference.
6. The Audit Plan has also 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 planned activities of Internal Audit for 2019/20, as outlined to Audit Committee on 22 January 2019.

## Issues

### Audit Charter

7. 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. Appendix A to the Charter suggests the terms of reference for Audit Committee.
8. The Audit Committee considered the Draft Audit Charter in its meeting of 22 January 2019, in which the principal proposed changes from the prior year, included:
  - The introduction of ten Core Principles for the professional practice of internal auditing, which taken as a whole, articulate internal audit effectiveness. These Core Principles underpin the Mission of the Internal Audit service 'To enhance and protect organisational value by providing risk based and objective assurance, advice and insight'. These Core Principles are a new addition to the Draft Audit Charter in recognition of best practice from the Institute of Internal Auditors (IIA).
  - The development of the Quality Assurance and Improvement Programme (QAIP - Standard 1300), 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 is used to identify and deliver opportunities for improvement. The QAIP has been refreshed by the Audit Manager and is built around a performance management approach which involves 'setting expectations', 'reviewing performance', and 'reporting performance' at individual auditor and team levels
9. Following the recent publication of the CIPFA Local Government Application Note (2019 Edition), the Audit Charter has been updated, notably to document the responsibilities in respect of fraud, with reference to associated policies. The Audit Charter is included in **Annex 1**, for consideration and approval by Audit Committee. Additional content which has followed the last Audit Committee meeting is included in Bold text.
10. The relevant section of the Local Government Application Note Checklist for the Audit Charter is in respect of Standard 1000 – Purpose, Authority and Responsibility. The checklist has been used to review and, where appropriate, make minor adjustment to the Audit Charter, and is included in **Annex 2**. The Audit Committee will receive details of an Internal Audit Self-Assessment which will take place against the full checklist for conformance with the PSIAS and Local Government Application Note, as part of the Internal Audit Annual Report on 25 June 2019.

### Audit Plan 2019/20

11. The approach to developing the Audit Plan was outlined to the Audit Committee in its report of 22 January 2019, at which time a summary plan and indicative allocation of audit time was provided. The Audit Plan included in **Annex 3**, has taken into account a range of management and independent assurances to develop a plan of audits on a risk-based prioritisation for 2019/20.

12. Since the Audit Committee Meeting on 22 January 2019, work has been undertaken to further develop the plan and identify the audits that will be undertaken. This has involved an assurance mapping process in respect of fundamental systems and core areas of governance, for which a summary is included in **Annex 4**. The same process applies for operational audits, but this area needs to be more dynamic and responsive to the ongoing relationship management approach with senior officers of the Council. The dynamic nature of audit planning is summarised in **Annex 5**.

13. The approach to develop the audit plan is designed to be risk based and co-ordinated in application of the “three lines of defence” model. The process involves the application of three basic review principles as follows:

**(a) Informed Inherent Risk** - The starting point is the development of an inherent audit need / risk score as a product of the the nature of the potential audit area, and the results of Senior Management Assurance Statement (SMAS) responses from Directors. There are three broad audit categories which are audited with an inherent frequency in the following priority order from highest to lowest (1) Fundamental systems, (2) Governance functions (e.g Risk Management, Health and Safety, Performance Management etc.) and (3) Operational audits, such as a school or standard system audit.

**(b) Coordination and Reliance** - After considering the inherent need for an audit, the audit plan is refined to account for the level of further sources of assurance and indicators of risk, in considering and accounting for the:

- Information on risk registers
- Planned and programmed projects, scrutiny and management activities
- Existing levels of internal audit assurance, and
- Planned and actual work and findings from wider audit, regulatory and consultancy activities.

**(c) Extensive and Appropriate Audit Coverage** - In consideration of the above two stages, audits will be programmed and typically delivered through a combination of Control Risk Self Assessment (CRSA), thematic and full audit engagements. As the information sources are being developed through relationship management mechanisms in directorates there will be a greater scope to progress the approach to co-ordination and reliance in accordance with PSIAS Standard 2050.

14. 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.

15. Fundamental Audits relate to key financial systems, to provide the Section 151 Officer with assurance that appropriate controls are in place. The Audit Plan has been developed on the continued basis, as communicated with Audit Committee and the Council’s external auditor, that fundamental systems are to be audited generally on a biennial 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). Accordingly, it is proposed that central audits of Council Tax and Income and Debtors are not undertaken in 2019/20, as recent audits considered systems as well controlled.

16. The section of the plan related to Corporate Governance includes a range of audits related to central governance, with Other Assurance covering wider matters of governance and assurance.
17. A large proportion of days has, as in previous years, been allocated to Service Specific audits. As in 2018/19, the plan proposes to allocate a significant number of days within the directorates to the audit of key themes. The key themes for 2019/20 reflect the areas that risk assurance planning has identified as areas for attention due to the level of risk and are:
- (a) Income and Debtors
  - (b) Commissioning and Procurement
  - (c) Health and Safety
  - (d) Asset Management - In-Year Testing.
18. Separate audit themes have been developed for Schools this year. Following on from the use of a CRSA for ICT Governance in Schools, targeted in-year testing is proposed. In addition, a counter-fraud CRSA is to be distributed for all schools to complete, from which targeted testing will be delivered. The school audit themes for 2019/20 are:
- (a) School ICT Governance – in year testing (sample)
  - (b) School Counter-fraud CRSA (all schools)
  - (c) School Counter-fraud - in year testing (sample).
19. 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.

### **Strategic Summary**

20. In accordance with PSIAS Performance Standard 2010 (Planning), and as recommended in the recently published CIPFA, Local Government Application Note, the following detail is provided for the information of the Audit Committee:
- The Audit Plan - Will be delivered by the Council's internal Audit Service. The Audit Manager will use the audit resources available to deliver the audit plan and buy-in additional resources as required, as outlined in the draft Audit Charter.
  - The Audit Charter - Includes a Quality Assurance and Improvement Programme (QAIP), as the central mechanism for developing and delivering the Internal Audit service.
  - Council Objectives and Priorities - The Audit Plan is developed in conjunction with senior managers, reinforced through the relationship manager role and an information stream on the planned activities and strategies directorates and the Council.

### **Legal Implications**

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

## **Financial Implications**

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

## **Recommendations**

23. Audit Committee to:

- Approve the Internal Audit Charter and Terms of Reference 2019/20
- Approve the Internal Audit Plan, 2019/20

**CHRIS PYKE**  
**AUDIT MANAGER**

**Annex 1:** Internal Audit Charter 2019/20

**Annex 2:** CIPFA Local Government Application Note Completed Checklist - Standard 1000,  
'Purpose, Authority and Responsibility'

**Annex 3:** Internal Audit Plan 2019/20

**Annex 4:** Summary Assurance Map

**Annex 5:** Cyclical Audit Planning

Mae'r dudalen hon yn wag yn fwriadol



Cardiff Council

# DRAFT INTERNAL AUDIT CHARTER 2019/20

## *Mission Statement*

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



Gweithio dros Gaerdydd, gweithio gyda'n gilydd  
Working for Cardiff, working together

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## INTERNAL AUDIT CHARTER

### Definition, Objective and Scope of Internal Audit

1. Internal Audit is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the organisation of Cardiff Council.
2. It assists Cardiff Council in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's **full control environment in respect of** 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. **The Core Principles through which the Internal Audit service is delivered are included in Appendix B, which taken as a whole, articulate internal audit effectiveness.**

### 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 Head of Finance (Deputy Section 151 Officer).
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. The Audit Manager will use the audit resources available to deliver the audit plan and buy-in additional resources as required.

10. **Management will notify the Audit Manager immediately, in accordance with the Council's Financial Procedure Rules and related policies, of suspected breach, theft or loss of Council assets, and any suspected or detected fraud, corruption or impropriety.**
11. The resources allocated to the Internal Audit activity are outlined in Appendix C, in conjunction with the reporting arrangements.

### **Independence and Objectivity**

12. 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.
13. 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.
14. 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.
15. 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.
16. The Audit Manager will confirm to the Audit Committee at least annually the organisational independence of the internal audit activity.

### **Responsibility**

17. The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management and internal control processes in relation to the organisation's 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

18. 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 a proper degree of coordination with external audit.
19. 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.
20. **When notified of suspected fraud, corruption or impropriety, the Audit Manager will take appropriate actions in line with the Council's Fraud, Bribery and Corruption Policy, for the matter to be properly investigated.**
21. 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.
22. The Audit Committee has a Terms of Reference, which defines the area in which it operates, and this is set out in Appendix D. The Terms of Reference are reviewed on a periodical basis.

### **Internal Audit Plan**

23. 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.
24. 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**

25. 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.
26. 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.
27. 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**

28. 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.
29. 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**

30. 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.
31. 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.
32. Action taken to ensure that the Quality Assurance and Improvement Programme is effective is set out in Appendix E.

## **CODE OF ETHICS**

### **Public Sector Requirement**

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

The 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.

**CORE PRINCIPLES**

**FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING**

The Internal Audit service is delivered through application of ten Core Principles, which taken as a whole, articulate internal audit effectiveness.

The following Core Principles underpin the mission of the Internal Audit service.

*'To enhance and protect organisational value by providing risk based and objective assurance, advice and insight'.*

1. Demonstrates integrity
2. Demonstrates competence and due professional care
3. Is objective and free from undue influence (independent)
4. Aligns with the strategies, objectives, and risks of the organisation
5. Is appropriately positioned and adequately resourced
6. Demonstrates quality and continuous improvement
7. Communicates effectively
8. Provides risk-based assurance
9. Is insightful, proactive, and future-focused
10. Promotes organisational improvement



## AUDIT ACTIVITY & RESOURCES

### Resources

1. **Audit Manager** –1 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.
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** –1.5 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 Codes of Practice. 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”, **members of the Senior Management Team represent ‘Senior Management’**, 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. All auditors and investigators are suitably qualified and collectively offer a wide range of skills, experience and knowledge. In the Audit team, there are three qualified Accountants, one Chartered Internal Auditor, and most other auditors are qualified Accounting Technicians, with four 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 professionally trained investigators (PINS).
7. 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**Statement of Purpose

- Our Audit Committee is a key component of Cardiff Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- The purpose of our Audit Committee is to provide independent assurance to the members of Cardiff Council of the adequacy of the risk management framework and the internal control environment. It provides an independent review of Cardiff Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, Risk & Control

- To review the Council's corporate governance arrangements against the good governance framework, including the ethical 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.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal Audit

- To approve the Internal Audit Charter.
- To review proposals in relation to the appointment of external providers of internal audit services and to make recommendations.

- 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 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 any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Audit Manager. To approve and periodically review safeguards to limit such impairments.
- To consider reports from the Audit Manager on Internal Audit's performance during the year including the performance of external providers of internal audit services. 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 (QAIP)
  - Reports on instances where the internal audit function does not conform to the PSIAS and Local Government Application Note (LGAN) considering whether the non- conformance is significant enough that it must be included in the Annual Governance Statement.
- To consider the Audit Manager's annual report:
  - The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit
  - The opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control together with a summary of the work supporting the opinion – these will assist the Committee in reviewing the Annual Governance Statement.
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the Audit Manager has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the Quality Assurance and Improvement Programme and in particular the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
- To provide free and unfettered access to the Audit Committee Chair for the Audit Manager, including the opportunity for a private meeting with the Committee.

### 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 and to publish an annual report on the Committee's work, its performance in relation to the Terms of Reference, and its effectiveness 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 sessions 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 (QAIP)**

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 is used to identify and deliver opportunities for improvement.

Key principles of the QAIP:

- The Audit Manager has established a system of ongoing monitoring of conformance with the standards and the Code of Ethics as part of each audit engagement, and a system of periodic review and reporting.
- Regular periodic reports and an Annual Internal Audit Report are presented to the Section 151 Officer and to Audit Committee.
- There is a commitment to undergoing an external inspection on conformance to PSIAS every five years.

To support the delivery of an efficient and effective service:

- Each Directorate has a relationship manager with whom they hold regular meetings to discuss risks and emerging issues, progress against and development of the audit plan, and audit outcomes and feedback.
- The Audit Manager has regular contact with the Audit Committee Chair, the Wales Audit Office, Senior Managers including the Chief Executive and the Section 151 Officer, and peers within Welsh Local Authorities and the Core UK Cities.
- Benchmarking exercises are undertaken in order to assess performance against other comparable organisations and report on significant variances, with action plans developed and implemented where appropriate.
- Annual personal reviews include auditor assessments against a skills and competency framework, leading to development goals and targets.
- Quality assurance is delivered through monitoring and review processes at key stages within the audit, to ensure all relevant Codes of Practice and Standards are adhered to.
- All Auditors are required to comply with the Code of Ethics, any other professional standards for the associations to which they belong and the Council's Codes of Conduct.

## QAIP - OPERATIONAL APPROACH

The QAIP is built around a performance management approach, which involves 'setting expectations', 'reviewing performance', and 'reporting performance' at individual auditor and team levels. The application of these control stages are summarised as follows.

### 1. Setting expectations - With clear expectations in place, auditors can focus on delivery.

- ✓ **Audit Allocation** - Each auditor has a quarterly allocation of work, which is stretching but achievable. Auditors are responsible for delivering their allocation effectively and on time.
- ✓ **Scoping and Objectives** – Each auditor has clear and documented objectives for each audit engagement, that they are responsible for delivering.
- ✓ **Audit 'Pit Stop'** - When half of the audit time is used, a senior team member completes a short and sharp review of progress against the audit objectives. This can either result in assurance that the audit is being delivered effectively, or it leads to expectations being re-set, with actions developed for the auditor to conclude a high quality audit engagement on time.
- ✓ **Personal Reviews** – Each year delivery, training and development goals and objectives are established for each auditor, in recognition of the individual and collective skills needed to deliver the risk-based plan effectively in the current and medium term.

### 2. Reviewing Performance - Expectations are revisited in quality assurance and control reviews.

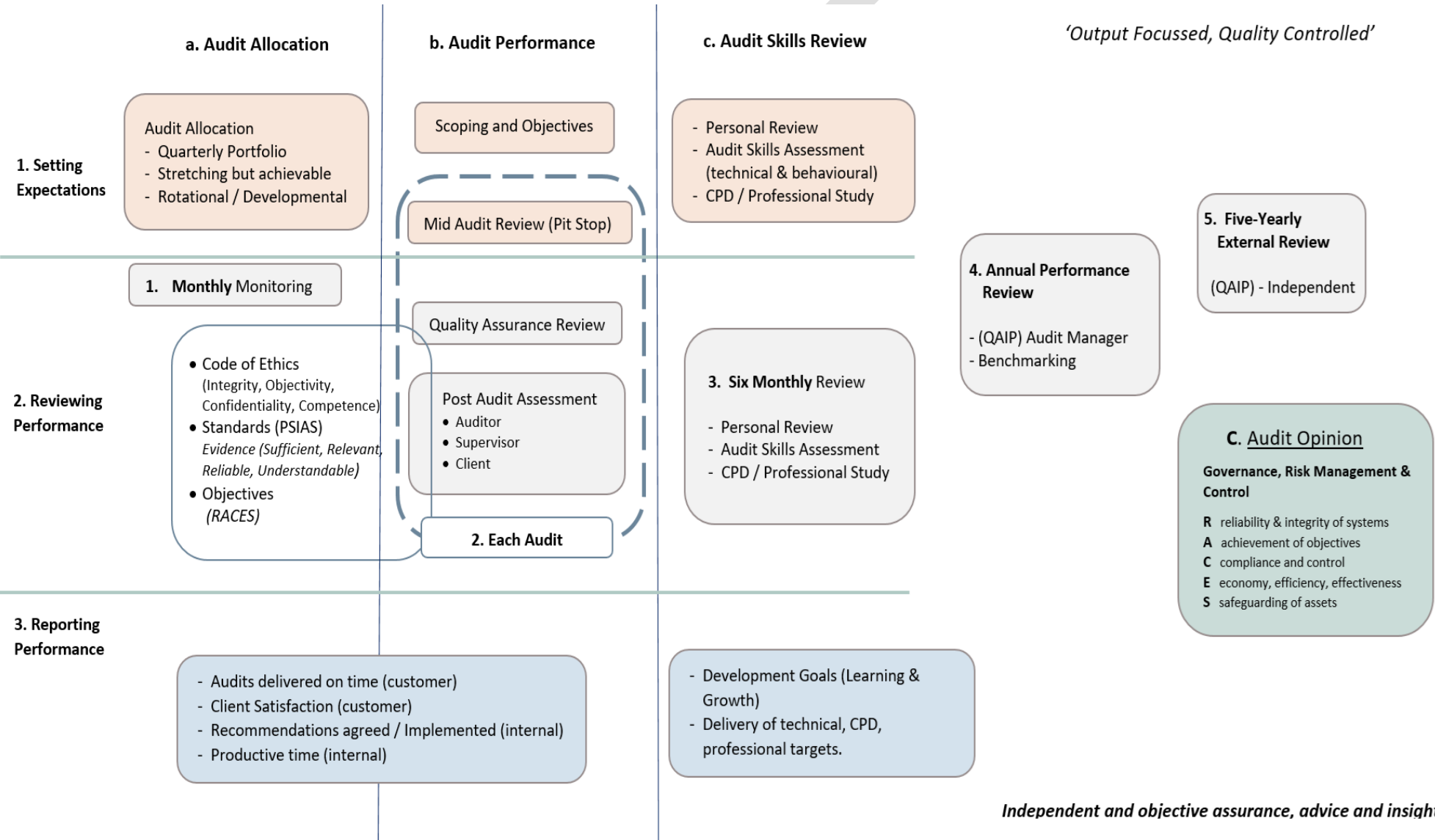
- ✓ **Monitoring** - Each auditor attends a monthly monitoring meeting, through which the delivery of their 'Audit Allocation' is reviewed, issues are identified and addressed.
- ✓ **Quality Assurance Review** - Each audit is subject to a quality assurance review by a member of the audit management team, to ensure high quality delivery in accordance with the Code of Ethics and the Standards. The review considers the quality of evidence to support the audit 'Objectives', and the delivery of actions resulting from the audit 'Pit Stop'.
- ✓ **Post Audit Assessment** – Upon conclusion of each audit, the auditor, and a senior team member review the auditor's performance against best practice technical and behavioural qualities. A client satisfaction survey is also used to identify the audit delivery and value from the client's perspective. Any development needs are identified and progressed.
- ✓ **Six Monthly Personal Review** – Progress is measured against the objectives and targets in each Auditor's 'Personal Review', taking account of the findings and outcomes from the activities in the 'Reviewing Performance' control stage. It can lead to new objectives, targets and support.

### 3. Reporting Performance - A range of performance measures are used for reporting and review.

- Core performance measures relate to the audits delivered on time, client satisfaction, recommendations agreed / implemented, productivity and the delivery of personal objectives.
- Performance information is regularly monitored by the Audit Manager and is considered by the Finance Management Team and the Audit Committee on a quarterly basis.
- On an annual basis, the Audit Manager reviews and reports on the application and findings of the performance management Framework that underpins the QAIP to the Audit Committee. An external assessment of conformance with the PSIAS is completed and reported at least every five years.

# QAIP – OPERATIONAL APPROACH (DIAGRAM)

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**Local Government Application Note 2019**  
**Checklist for Assessing Conformance with the PSIAS**

**Standard 1000 – Purpose, Authority and Responsibility**

The questions in this section seek to confirm that the purpose, authority and responsibility of the internal audit activity have been properly defined consistent with the PSIAS, formally approved in an internal audit charter and periodically reviewed.

Questions to consider			Audit Charter - Evidence / Comments
<p>Does the internal audit charter conform with the PSIAS by including a formal definition of:</p> <ul style="list-style-type: none"> <li>• the purpose</li> <li>• the authority, and</li> <li>• the responsibility</li> </ul> <p>of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?</p>			<p>In place.</p> <ul style="list-style-type: none"> <li>• Purpose is included in the '<i>Definition, Objective and Scope of Internal Audit</i>' section</li> <li>• Authority is included in the '<i>Authority</i>' section</li> <li>• Responsibility is included in the '<i>Responsibility</i>' section.</li> </ul> <p>Wording and definitions are consistent with the PSIAS.</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the internal audit charter conform with the PSIAS by clearly and appropriately defining the terms 'board' and 'senior management' for the purposes of the internal audit activity?</p> <p>Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.</p>			<p>In place.</p> <ul style="list-style-type: none"> <li>• In the '<i>Responsibility</i>' section, the role of the Board is stated as being delivered by the Audit Committee.</li> <li>• In the same paragraph as a point of additional clarity 'senior management' is defined as representing members of the Senior Management Team.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

<p>Does the internal audit charter also:</p> <ul style="list-style-type: none"> <li>• Set out the internal audit activity's position within the organisation?</li> <li>• Establish the chief audit executive's (CAE) functional reporting relationship with the board?</li> <li>• Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively? Where applicable, this will need to encompass shared service or external providers of internal audit, and the role of the contract manager.</li> <li>• Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit?</li> <li>• Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?</li> <li>• Define the scope of internal audit activities?</li> <li>• Recognise that internal audit's remit extends to the entire control environment of the organisation?</li> <li>• Establish the organisational independence of internal audit?</li> <li>• Cover the arrangements for appropriate resourcing?</li> <li>• Define the role of internal audit in any fraud-related work?</li> </ul>	<p>In place.</p> <ul style="list-style-type: none"> <li>• Internal Audit reports to the Head of Finance (Deputy Section 151 Officer), as defined in the section on '<i>Organisation</i>'.</li> <li>• The Internal Audit functional reporting to Audit Committee is included in the section of '<i>Organisation</i>'.</li> <li>• As above, the administrative reporting line from Internal Audit to the Head of Finance is established. Accountability is in line with standard HR Council processes. Specific Audit Manager responsibilities are included throughout the Audit Charter in meeting the requirements of the PSIAS.</li> <li>• The Audit Committee (Board) has a clear terms of reference. The Corporate Director Resources (Section 151 Officer) is the senior officer responsible for overseeing the Internal Audit Team, as included in the section on '<i>Resources</i>'.</li> <li>• Rights of access are included in the section on '<i>Authority</i>'.</li> <li>• Included in the section on 'Definition, Objective and Scope'.</li> <li>• The section on 'Definition, Objective and Scope' has been expanded to include this explicit statement</li> <li>• This is included in the section on '<i>Independence and Objectivity</i>'.</li> <li>• Included in with particular reference in the section on '<i>Internal Audit Plan</i>', the '<i>Core Principles</i>'. Supported by the Audit Committee Terms of Reference.</li> <li>• The section on 'Responsibility' has been expanded to reference the specific role.</li> </ul>
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<ul style="list-style-type: none"> <li>• Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, requiring the CAE to be notified of all suspected or detected fraud, corruption or impropriety?</li> <li>• Include arrangements for avoiding conflicts of interest if internal audit or the CAE undertakes non-audit activities?</li> <li>• Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?</li> <li>• Define the nature of consulting services?</li> <li>• Recognise the mandatory nature of the PSIAS?</li> </ul>			<ul style="list-style-type: none"> <li>• The section on 'Organisation' has been expanded to reference this.</li> <li>• Not applicable. The Audit Manager is not responsible for managing any functions other than the Internal Audit and Investigations Teams.</li> <li>• The nature of services is defined in the 'responsibility' section.</li> <li>• Consulting services are defined as 'advisory' in line with the PSIAS definition</li> <li>• This is included in the section on '<i>Role and Professionalism</i>'.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
Does the CAE periodically review the internal audit charter and present it to senior management and the board for approval?			<p>In place.</p> <ul style="list-style-type: none"> <li>• The Audit Charter is reviewed on at least an annual basis, shared and discussed with Senior Management, and presented to Audit Committee for approval.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

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Audit Plan 2019/20

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Fundamental Audits - S151 Assurance	Type of engagement	CIPFA classification	Original audit plan, 2018/19	Original audit plan	Assignment	Days
Creditor Payments & Processing (including procurement)	Assurance	Chargeable	70	60	CRSA 2019/20	5
					In year testing (mid year 2019/20)	25
					In year testing (year end 2019/20)	25
					To be agreed with Director	5
Payroll	Assurance	Chargeable	70	65	CRSA 2019/20	5
					In year testing 2019/20	15
					Payroll overpayments	15
					Recruit	15
					Establishment reviews	15
Council Tax	Assurance	Chargeable	15	0		
NNDR	Assurance	Chargeable	0	20	CRSA 2019/20	5
					In year testing 2018/19 and 2019/20	15
Local Housing Allowances	Assurance	Chargeable	15	10	Carried forward work	10
Treasury Management	Assurance	Chargeable	0	10	CRSA 2019/20	4
					In year testing 2019/20	6
Main Accounting	Assurance	Chargeable	0	15	CRSA 2019/20	5
					In year testing 2019/20	10
Income and Debtors	Assurance	Chargeable	30	0		
Asset Management	Assurance	Chargeable	0	0		
Housing Rents	Assurance	Chargeable	15	0	Housing Rents (carried forward from 2018/19)	0
<b>Total</b>			<b>215</b>	<b>180</b>		<b>180</b>
Corporate Governance Assurance - Audit			Original audit plan, 2018/19	Original audit plan	Assignment	Days
Audit of risk management arrangements	Assurance	Chargeable	20	10	Audit of risk management arrangements	10
Audit of governance arrangements	Assurance	Chargeable	30	20	Audit of governance arrangements	20
Audit of scrutiny functions	Assurance	Chargeable	0	20	Audit of scrutiny functions	20
Audit of ethics and values	Assurance	Chargeable	25	0	Audit of ethics and values (carried over from 2018/19)	0
Audit of Wellbeing of Future Generations	Assurance	Chargeable	0	15	Wellbeing of Future Generations	15
Audit of performance management	Assurance	Chargeable	20	20	Audit of performance management	20
Audit of Health and Safety	Assurance	Chargeable		0		
Audit of Information governance	Assurance	Chargeable	15	15	Audit of Information Governance	15
<b>Total</b>			<b>110</b>	<b>100</b>		<b>100</b>
Digital Services	TBC	Chargeable	0	30	IT project audits 1	15
					IT project audits 2	15
Delegation and decision making	Assurance	Chargeable	0	20	Delegation and decision making	20
Programme and projects (including CADT)	Assurance	Chargeable	20	0		
<b>Total</b>			<b>20</b>	<b>50</b>		<b>50</b>

Other Assurance			Original audit plan, 2018/19	Original audit plan	Assignment	Days
Contract Audit	TBC	Chargeable	100	40	Cradle to Grave review (contract TBC)	20
					Cradle to Grave review (contract TBC)	20
Cardiff Bus - governance	TBC	Chargeable	0	10	Cardiff Bus - governance	10
Education - SOP	TBC	Chargeable	0	20	Review of Band B	20
ICT Audit	TBC	Chargeable	100	50	Identification and access management (incl. Modern.gov)	20
					IT inventory and asset management	20
					Change and patch management controls (to be confirmed)	10
Value for Money studies	TBC	Chargeable	30	30	Theme 1	15
					Theme 2	15
					VFM - enforcement (carried forward from 2018/19)	0
					VFM - agency workers, interims and consultants (carried forward from 2018/19)	0
					VFM - workforce deployment (carried forward from 2018/19)	0
Taxation (incl. VAT)	TBC	Chargeable	0	19	Taxation	19
System Development	TBC	Chargeable	30	10	System Development	10
National Fraud Initiative	TBC	Chargeable	0	20	National Fraud Initiative	20
Pensions and Investments	Assurance	Chargeable	0	15	CRSA 2019/20	5
					In year testing 2019/20	10
Insurance	TBC	Chargeable	10	0	In-year testing 2018/19 (carried over from 2018/19)	0
Health and safety	TBC	Chargeable	10			
Mileage & subsistence	TBC	Chargeable	10	0		
Fleet Management (pool cars, grey fleet, etc.)	TBC	Chargeable	0	20	Fleet Management (pool cars, grey fleet, etc.)	20
Procurement	Assurance	Chargeable	0	0		
Stores	TBC	Chargeable	10	16	Review of CTS stores	10
					Year end stock check 1	3
					Year end stock check 2	3
Business Continuity	TBC	Chargeable	15	0		
<b>Total</b>			<b>315</b>	<b>250</b>		<b>250</b>
Service specific audits			Original audit plan, 2018/19	Original audit plan	Assignment	Days
Planning, Transportation and Environment	TBC	Chargeable	150	170	Health and Safety	15
					Commissioning and Procurement	15
					Income and Debtors	15
					Bulky waste collection (domestic properties)	15
					Commercial waste	10
					Recycling in HWRCs	20
					Asset management	15
					Stock systems (Tranman)	20
					Stock systems (Vectec)	10
					Purchasing cards (Tranman)	10
					To be agreed with Director	10
					To be agreed with Director	15
					Housing and Communities	TBC
Commissioning and Procurement	15					
Income and Debtors	15					
Independent Living (deferred from 2018/19)	10					
Lettings policy in high rise accommodation (deferred from 2018/19)	10					
Asset management	15					

Housing and Communities	TBC	Chargeable	150	150	Into work grant streams	10
					Responsive Repairs	20
					Flexibilities funding (Housing)	10
					"Get me home" service	15
					Review of stores (leasehold properties)	15
					Bilingual Cardiff (carried forward from 2018/19)	0
Economic Development (incl. Commercial Services)	TBC	Chargeable	130	150	Health and Safety	15
					Commissioning and Procurement	15
					Income and Debtors	15
					Income collection (fees and charges) (deferred from 2018/19)	15
					Film Unit	15
					Strategic Estates - processes	10
					Asset management	15
					To be agreed with Director	15
					To be agreed with Director	15
					To be agreed with Director	20
Education and Lifelong Learning	TBC	Chargeable	350	300	Health and Safety	15
					Commissioning and Procurement	15
					Income and Debtors	15
					ICT governance - in year testing for schools	40
					Counterfraud in schools - CRSA development	10
					Counterfraud in schools: in year testing in primary schools x 4	40
					Counterfraud in schools: in year testing in secondary schools x 4	40
					Commissioning of independent investigations (carried over from 2018/19)	10
					Work in individual schools	40
					Income collection in schools (incl. lettings, banking)	25
					Contract procedures in schools	25
					Asset management	15
					Storey Arms	10
Governance and Legal Services	TBC	Chargeable	50	50	Health and Safety	10
					Commissioning and Procurement	10
					Income and Debtors	10
					Asset management	10
					To be agreed with Director	10
Resources	TBC	Chargeable	50	50	Health and Safety	10
					Commissioning and Procurement	10
					Income and Debtors	10
					Asset management	10
					Budgeting and forecasting (carried forward from 2018/19)	0
					To be agreed with Director	10
Social Services	TBC	Chargeable	320	300	Health and Safety	15
					Commissioning and Procurement	15
					Income and Debtors	15
					Asset management	15
					ICF schemes (incl. Families First)	15
					Early help service (impact of FPOC)	15
					Safeguarding (follow up review)	15
					Children's Placements	15
					Learning Disabilities	15
					CRT	15

					Foster carers	15
					Direct Payments	20
					To be agreed with Director	20
					To be agreed with Director	15
					To be agreed with Director	20
					To be agreed with Director	20
					To be agreed with Director	20
					To be agreed with Director	20
			<b>1,200</b>	<b>1,170</b>		<b>1,170</b>
<b>External</b>			<i>Original audit plan, 2017/18</i>	<b>Original audit plan</b>	<b>Assignment</b>	<b>Days</b>
External clients	Assurance	Chargeable	10	20	Cardiff Further Education Trust Fund	2
					City Deal 2019/20	5
					Norwegian Church Preservation Trust	2
					Joint Committees	6
					Provision for other work	5
Grants	Assurance	Chargeable	20	10	Provision for grant work	10
<b>Total</b>			<b>30</b>	<b>30</b>		<b>30</b>
<b>Contingencies</b>			<i>Original audit plan, 2018/19</i>	<b>Original audit plan</b>	<b>Assignment</b>	<b>Days</b>
General Audit		Chargeable	30	30	General Audit (provision for carried forward audits)	30
<b>Total</b>			<b>30</b>	<b>30</b>		<b>30</b>
<b>Management</b>			<i>Original audit plan, 2018/19</i>	<b>Original audit plan</b>	<b>Assignment</b>	<b>Days</b>
Corporate work – Audit Committee, WAO etc.	Consultation	Chargeable	50	50	Corporate work – Audit Committee, WAO etc.	50
Assurance mapping	Consultation	Chargeable	10	10	Assurance mapping	10
CRSA development	Consultation	Chargeable	20	0	CRSA development	0
Process development	Consultation	Chargeable	20	20	Process development	20
Work for Audit Manager	Consultation	Chargeable	20	30	Work for Audit Manager	30
Planning, monitoring & reporting	Consultation	Chargeable	20	30	Planning, monitoring & reporting	30
Review of financial rules etc.	Consultation	Chargeable	40	20	Review of financial rules etc.	20
General advice and guidance	Consultation	Chargeable	0	20	General advice and guidance	20
<b>Total</b>			<b>180</b>	<b>180</b>		<b>180</b>
<b>Total chargeable days</b>			<b>2,100</b>	<b>1,990</b>		<b>1,990</b>

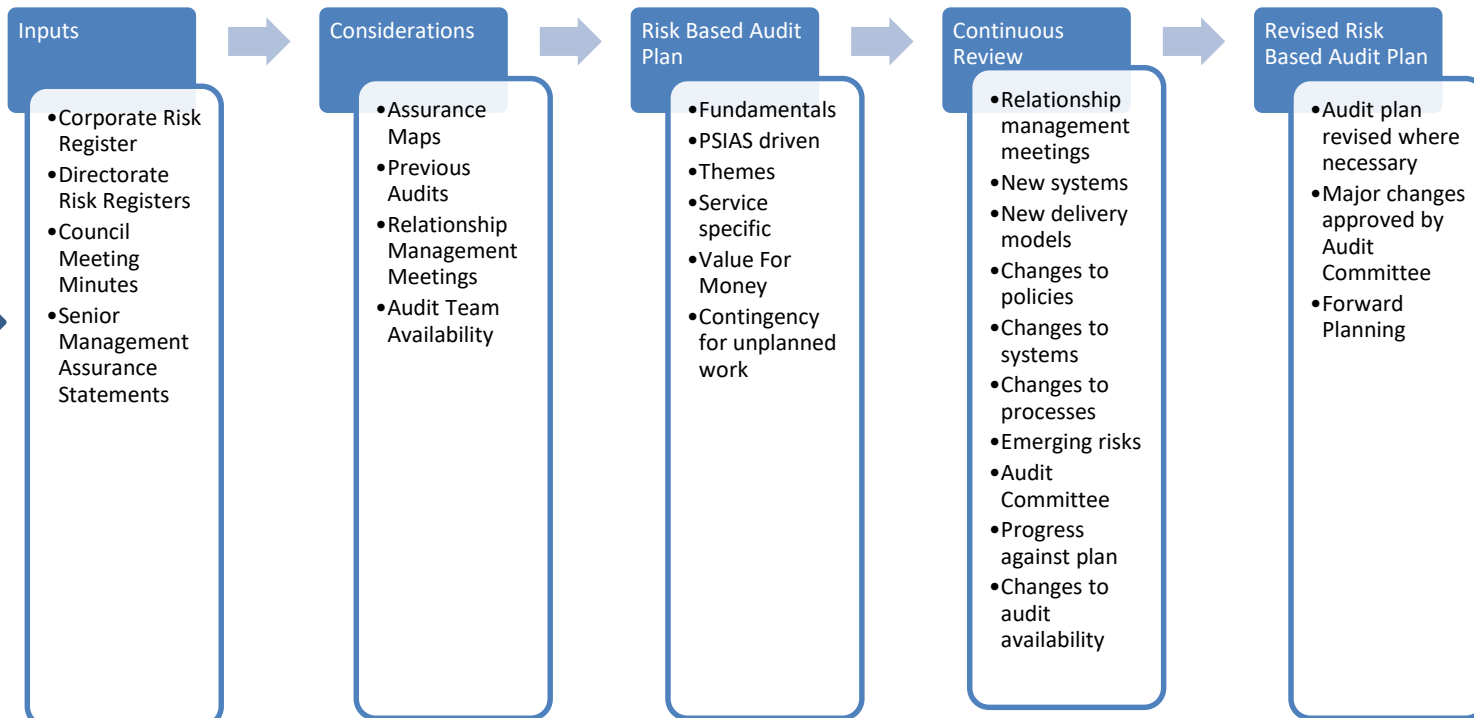


Summary Assurance Map - March 2019

	Low Assurance	Medium Assurance	High Assurance	No Assurance Information	Inherent Risk	Level 1 - Management Assurance												Level 2 - Independent Assurance										Audit Need																						
	SMAS												Risk Register										Existing Internal Audit Assurance						Wider Assurance																					
	Inherent Risk	Education	Legal and Governance	People and Communities		Resources	Social Services	Economic Development	PTE	SMAS Summary	Corporate Risk Register	Education	Legal and Governance	People and Communities	Resources	Social Services	Economic Development	PTE	Directorate Summary	Education	Legal and Governance	People and Communities	Resources	Social Services	Economic Development	PTE	Directorate Summary		Education	Legal and Governance	People and Communities	Resources	Social Services	Economic Development	PTE	Directorate Summary	Audit Needs Assessment													
Audits																																																		
<b>Fundamental Systems</b>	Fundamental - Core System																																																	
	Asset Management	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A							
	Commissioning and Procurement	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A				
	Council Tax	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A			
	Creditors	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A		
	Housing Rents	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A		
	Income and Debtors	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A		
	Income Management	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A		
	Housing Benefits / Local Housing Allowance	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A		
	Main Accounting	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
	NNDR	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A		
	Payroll	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
	Pensions and investments	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
	Stores	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
	Treasury Management	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
	IT Governance / Security	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
	Fundamental - Ad Hoc																																																	
	Housing rent arrears	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Mileage and subsistence	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
Purchasing cards	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Agency Managed Service	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
Governance Functions																																																		
Corporate Governance	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Ethics and values	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Information governance	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Performance management	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
Risk management arrangements	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
Delegated Decision Making	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
Programmes and projects	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
Value for Money	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
Scrutiny / Oversight Functions	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A		
Health and Safety	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
Future Generations	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A		
Safeguarding	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A		
Decision Making	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A		
Governance	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A		
Insurance	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A			
Partnerships and collaborative governance	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A		
Other Assurance																																																		
Business Continuity & Emergency Management	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
Contract Variations	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
IT Programmes / Projects	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
Financial Resilience	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	
Payment Card Security - Data Security Standards (PCI - DSS)	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A		
Contract Audit	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A		
Taxation	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A		
National Fraud Initiative / Fraud	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A		
SOP	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A		

Mae'r dudalen hon yn wag yn fwriadol

# Cyclical Audit Planning



Tudalen 347

Mae'r dudalen hon yn wag yn fwriadol

Audit Committee Action Plan

(Updated following meeting held on 22 January 2019)

Minute No. /Agenda No.	Actions	Timeline	Action Owner
<b>Finance (Budget)</b>			
<b>Governance &amp; Risk Management</b>			
<b>Wales Audit Office (WAO)</b>			
<b>Internal Audit</b>			
13.11.18	The Director of Governance & Legal Services and the Audit manager to consider the options available to audit the scrutiny process. (Included in 2019/20 Audit Plan)	Completed 02.04.19	CP
13.11.18	Audit Manager to confirm completion of the outstanding recommendation on ICT Cloud compliance. (Audit of Cloud Computing concluding – Recommendation to be replaced with a new recommendation on annualised reviews)	Completed 02.04.19	CP
22.01.19	The Audit Manager to inform Audit Committee of the proportion of the Education Catering Service income received through cash, and cashless routes. (Email sent to Members 25.01.19 - completed)	Completed 25.01.19	CP
22.01.19	The internal audit of Risk Management in Q4, 2018/19, to include an objective on Brexit planning and preparation. (Audit completed)	Completed Q4 2018/19	CP
<b>Treasury Management</b>			
22.01.19	Audit Committee to receive a briefing on the internal and external audit arrangements in place for Treasury Management. (Email sent to Members 21.03.19)	Completed 21.03.19	AH
<b>Operational Items</b>			
18.09.18	Report to a future meeting on the Youth Innovation Grant addressing concerns raised around the auditing/evaluation of performance and transparency of the Youth Service commissioning model. (Action via internal audit review)	Completed Q4 2018/19	CP
22.01.19	The Director of Social Services, supported by the Corporate Director Resources, to provide a breakdown of Social Services overspends for the last three years and their reasons.		CM, CL
22.01.19	The Director of Planning, Transport and Environment is recommended to: <ul style="list-style-type: none"> <li>Review the resilience of local incident management plans, and develop specific plans for a flood event arising from the coastal erosion corporate risk;</li> <li>Develop an engagement strategy to communicate to those most at risk;</li> <li>Report progress to a future Audit Committee meeting.</li> </ul>		AG

Minute No. /Agenda No.	Actions	Timeline	Action Owner
22.01.19	The Chief Executive to attend a future Audit Committee meeting to discuss planning and preparation for Brexit as part of a wider report. Audit Manager to propose the focus of the wider report. (Chief Executive to attend 02.04.19, Committee Members emailed re. proposed scope on 30.01.19)	02.04.19	CP
<b>Work Programme</b>			
22.01.19	In the event of there being an opportunity to webcast that Audit Committee identifies which meeting in the calendar should be prioritised for webcasting on a public interest basis.		IA
<b>WAO Tracker/Other Studies</b>			
<b>Outstanding Actions</b>			
<b>Scrutiny Letters</b>			
22.01.19	The Audit Committee Chairperson to request written assurances from the Chairperson of the Policy Review & Performance Scrutiny Committee, on activities of the Public Services Board to manage the potential impact of Brexit. (Letter sent 28.01.19 - completed)	Completed 28.01.19	IA

Topic	Tuesday 25.06.19 at 2pm (CR4)	Tuesday 10.09.19 at 2pm (CR4)	Tuesday 12.11.19 at 2pm (CR4)	Tuesday 21.01.20 at 2pm (CR4)	Tuesday 24.03.20 at 2pm (CR4)	Tuesday 23.06.20 at 2pm (CR4)
				12.30-1.30pm - Committee Self- Assessment		
Wales Audit Office	Annual Improvement Plan		WAO Performance Audit Work Programme Update			Annual Improvement Report
		Audit of Financial Statement Report for City of Cardiff Council (ISA260)			Annual Audit Plan 2020	
		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 2020-21	Treasury Management 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 & Benchmarking	Financial Update including Resilience Issues
	Draft Statement of Accounts 2018-19 (including the AGS)	Final Statement of Accounts for 2018-19 (including the AGS)			Accounting Policies and Timescales for 2019/20 Statement of Accounts	Draft Statement of Accounts 2019-20 (including the AGS)
	Annual Report on the Council's position on income					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)	Progress Report	Progress Update	Progress Update	Progress Update
	Internal Audit & Investigation Annual Report 2018-19			Draft Audit Charter and Draft Audit Plan 2020-21	Audit Charter and Audit Plan 2020-21	Internal Audit Annual Report 2019-20
Governance and Risk Management	Audit Committee Annual Rep.2018-19			Audit Committee Annual Report Discussion 2019-20		Audit Committee Annual Report 2019-20
	Senior Management Assurance Statement Review			Senior Management Assurance Statement and AGS Action Plan 2019-20 (Mid-Year)		Senior Management Assurance Statement Review
				AGS 2019-20 Action Plan (Mid-Year)	Draft AGS 2019-20	
	Corporate Risk Management (Year-End)	Corporate Risk Management (Quarter 1)	Corporate Risk Management (Mid-Year)		Corporate Risk Management (Quarter 3)	Corporate Risk Management (Year-End)
					Audit Committee Self-Assessment Feedback/Action Plan	
Operational matters / Key risks	Director TBC Update on Internal Control Environment	Nick Batchelar Annual Report on School Governance (Inc. Balances) & Deficits	Director TBC Update on Internal Control Environment	Director TBC Update on Internal Control Environment	TBC - Paul Orders Update on the Council's Control Environment	Director TBC Update on Internal Control Environment
		Director TBC Update on Internal Control Environment			Nick Batchelar School Governance and Internal Control - Assurance Update	
To be Allocated	<ul style="list-style-type: none"> <li>Council's performance against the Well-being and Future Generations Act</li> </ul>					

Mae'r dudalen hon yn wag yn fwriadol