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AGENDA

Pwyllgor	PWYLLGOR ARCHWILIO
Dyddiad ac amser y cyfarfod	DYDD MAWRTH, 25 MEHEFIN 2019, 2.00 PM
Lleoliad	YSTAFELL BWYLLGORA 4 - NEUADD Y SIR
Aelodaeth	Ian Arundale (Cadeirydd) Hugh Thomas, Gavin McArthur, David Price a/ac James Cynghorywr Bale, Cunnah, Goddard, Howells, Lister, Singh a/ac Williams

*Tua
Amser.*

1 Ymddiheuriadau am Absenoldeb

Derbyn ymddiheuriadau am absenoldeb.

2 Datgan Buddiannau

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

3 Penodi Cadeirydd a Dirprwy Gadeirydd

Penodi Cadeirydd ac Is-gadeirydd i'r Pwyllgor Archwilio ar gyfer Blwyddyn y Cyngor 2019/20.

4 Aelodaeth a Chylch Gorchwyl (*Tudalennau 5 - 8*)

Aelodaeth

Nodi bod y Cyngor wedi penodi'r Aelodau canlynol i'r Pwyllgor ar 23 Mai 2019:

Aelodau Annibynnol: Ian Arundale, Hugh Thomas, David Price, Gavin McArthur

Y Cynghorwyr: Phil Bale, Stephen Cunnah, Susan Goddard, Nigel Howells, Ashley Lister, Kanaya Singh, Joel Williams

Cylch Gorchwyl – wedi'i atodi

- 5 Cofnodion** (*Tudalennau 9 - 20*)
- Cymeradwyo cofnodion y cyfarfod blaenorol fel gwir gofnod o'r cyfarfod ar 02 Ebrill 2019.
- 6 Materion Gweithredol** 2.10 pm
- 6.1** Diweddariad gan Neil Hanratty, Cyfarwyddwr Datblygu Economaidd, ar Amgylchedd Rheoli Mewnol (*Tudalennau 21 - 44*)
- 7 Cyllid** 2.30 pm
- 7.1** Diweddariad ar gyllid, gan gynnwys materion gwydnwch – diweddariad ar lafar
- 7.2** Datganiad Cyfrifon Drafft 2018-19 (*Tudalennau 45 - 222*)
- 8 Llywodraethiant a Rheoli Risg** 3.00 pm
- 8.1** Datganiad Llywodraethu Blynyddol a Datganiad Sicrwydd Uwch Dîm Rheoli 2018-19 (*Tudalennau 223 - 260*)
- 8.2** Adroddiad Blynyddol y Pwyllgor Archwilio 2018/19 (*Tudalennau 261 - 294*)
- 8.3** Rheoli Risg Corfforaethol (diwedd y flwyddyn) (*Tudalennau 295 - 328*)
- 9 Swyddfa Archwilio Cymru** 3.30 pm
- 9.1** Diweddariad ar Gynnydd Gweithgarwch/Adroddiad SAC (*Tudalennau 329 - 336*)
- 10 Teclyn Olrhain Swyddfa Archwilio Cymru ac Astudiaethau Eraill** 3.35 pm
- 11 Rheoli Trysorlys** 3.40 pm
- 11.1** Adroddiad ar Berfformiad (*Tudalennau 337 - 342*)
- 12 Archwilio Mewnol** 3.45 pm
- 12.1** Strategaeth Archwilio Mewnol ac Adroddiad Cynnydd (*Tudalennau 343 - 406*)
- 12.2** Diweddariad ar Gynnydd y Tîm Archwilio a Strategaeth Gwrth-dwyll a Llygredd Drafft (*Tudalennau 407 - 442*)
- 12.3** Adroddiad Cynnydd Archwiliad Mewnol 2018/19 (*Tudalennau 443 - 482*)
- 12.4** Adroddiad Blynyddol y Tîm Archwilio 2018/19 (*Tudalennau 483 - 510*)

- 13 **Gohebiaeth Graffu** 4.00 pm
- 14 **Camau heb eu cyflawni** (*Tudalennau 511 - 512*)
- 15 **Diweddariad ar y Rhaglen Waith** (*Tudalennau 513 - 514*)
- 16 **Eitemau Brys (os oes rhai)**
- 17 **Dyddiad y cyfarfod nesaf**

Cynhelir y cyfarfod nesaf ar 10 Medi 2019.

David Marr

Swyddog Monitro Dros Dro

Dyddiad: Dydd Mercher, 19 Mehefin 2019

Cyswllt: Graham Porter,

02920 873401, g.porter@caerdydd.gov.uk

Mae'r dudalen hon yn wag yn fwriadol

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.

Mae'r dudalen hon yn wag yn fwriadol

AUDIT COMMITTEE

2 APRIL 2019

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

Councillors Bale, Goddard, Howells, McGarry, Walker and
Williams

83 : APPOINTMENT OF NEW MEMBERS

Members were asked to note that Council on 28 February 2019 appointed Councillors Goddard and Williams to the Committee.

84 : APOLOGIES FOR ABSENCE

Apologies were received from Councillors Cunnah and Singh.

85 : DECLARATIONS OF INTEREST

No declarations of interest were received.

86 : MINUTES

The minutes of the meeting held on 22 January 2019 were approved by the Committee as a correct record and were signed by the Chairperson.

Operational Matters

87 : CHIEF EXECUTIVE - UPDATE ON THE COUNCIL'S CONTROL ENVIRONMENT

The Committee received a report from the Chief Executive on the Council's Control Environment.

The Chairperson welcomed Paul Orders, Chief Executive; Sarah McGill, Corporate Director of People and Communities; Davina Fiore, Director of Governance and Legal Services and Monitoring Officer and Gavin Macho, Principal Emergency Manager; to the meeting.

The Chief Executive advised Members that he would take questions on any relevant area of the Council's control environment, but would otherwise focus the presentation and assurances on 'Brexit', and 'budget monitoring' as identified areas of Audit Committee interest in advance of the meeting. The report included wider information on corporate risk reduction targets and challenges, senior management assurances on governance, and internal audit assurance.

The Chief Executive outlined that Lead Officers were in place in each Directorate to co-ordinate the Brexit response, with a first priority given to understanding service delivery risks. Members were advised that Directorates have reviewed Brexit risks, engaged with suppliers and supply chains, and provided assurance that all known

risks have been considered and that appropriate mitigation is in place. The Chief Executive provided examples of supply chain risks and how they have been managed, and then outlined the national command, control and communication arrangements in place, and the mechanisms to support community cohesion.

The presentation concluded with a focus on communication. Information was given on the Citizen Settlement Scheme, and support provided through the Information Hub on the Council Website, digital access facilities support in Libraries, and communications to Members and Staff. Information was also provided on the support provided to businesses and to Members.

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

- In terms supply chains, a Member asked if UK-based contractors have been identified as alternatives. The Chief Executive stated that the authority must be mindful of potential disruption to the supply chain and have alternative arrangements in place including use of UK-based suppliers. An example was provided of biodegradable food waste bags, for which an alternative supplier has been identified that can deliver supplies within 10 days.
- A Member stated that there had been a limited level of information provided to Councillors. The Chief Executive advised that the uncertainty of Brexit had impacted upon planning arrangements. In recent months work had ratcheted up due to a need for increased mitigation.
- The Committee referred to the internal controls in place and asked whether the Chief Executive was confident that his Directors have a grip on overspend. The Chief Executive advised that he expects Directors to work within their budget allocation. He advised that he was not satisfied with the outturn position, but acknowledged that some service areas are subject to exceptional demand. The Senior Management Team (SMT) would make interventions where necessary to ensure that an overall balanced position is achieved. This was a key piece of work for the new Section 151 Officer. SMT was more data driven and focussed on delivering service improvements. The Chief Executive stated that he has absolute confidence in the control in place but he does not wish to downplay the challenges ahead.
- In terms of managing and mitigating the risks from Brexit, Members asked how much has been allocated to specific mitigations. The Chief Executive advised that there was no specific budget allocation. The WLGA has set aside a transition fund. The Welsh Government also has a migration support scheme post-Brexit.
- Members asked whether the Chief Executive had considered the adequacy of communications with staff and customers. The Chief Executive stated that the key messages have been of the open, and the welcoming nature of

the City, and to provide support in relation to the EU Settlement Scheme. A Member noted the work done by the NHS to proactively engage with patients and felt that vulnerable people in the City would also benefit from similar proactive engagement. The Chief Executive stated that support is in place for care providers with high numbers of EU staff. The Chief Executive considered that whilst a reasonable amount of communication has happened, more remains to be done.

- A Member asked what level of stress testing is being conducted around the scenario that Brexit triggers a recession and the 'knock-on' effect on budget savings and resilience. The Chief Executive stated that SMT have discussed a range of potential scenarios based on Bank of England predictions. It is anticipated that the economic impact would be similar to the 2007-09 crash, for which hardship payments of inter-work services would be mobilised, and there is capacity to flex resources to deal with worse case scenarios.
- Members asked what mechanisms were in place to challenge or review the adequacy of the mitigations. The Chief Executive advised that SMT/Directors provide challenge collectively. The Emergency Management Team received all Directorate mitigation returns, and colleagues in Audit review processes for assurance.

RESOLVED – That:

- (1) the report be noted;
- (2) Audit Committee Chairperson, via the Audit Manager, to thank the Chief Executive for his Audit Committee attendance and detailed assurances, welcoming continued communications to inform those involved in delivery and oversight.

88 : ANDREW GREGORY - WASTE MANAGEMENT UPDATE

The Committee received a report in response to its request for an update on the control environment within Waste Management. The Chairperson welcomed Andrew Gregory, Director and Matt Wakelam, Assistant Director to the meeting to deliver the presentation.

Members were advised that, in respect of the investigation of potential criminal activity within Waste Management, it would not be appropriate to disclose any specific details whilst the investigation is ongoing. The update focussed on management assurances, internal controls and the management of risk within Waste Management. A summary of the internal controls and processes within Waste Management were set out in the presentation.

The Director recognised that there have been gaps in control within the Waste Management service, whilst advising that the function is highly scrutinised with frequent briefings to Cabinet and the Chief Executive. Gaps in collective working and

communication within Waste were highlighted as areas of difficulty, and breaking down silos and having a clear understanding and accuracy of data across the service were identified as priorities.

The Chairperson opened the debate on this item. The Committee's comments are summarised as follows:

- A Member considered that historically Waste Management has tolerated low productivity and high levels of sickness and there was a major task ahead to address these issues. A question was asked relating to how this will be addressed whilst avoiding any risk of industrial action. The Director stated that they are working with Trade Unions, who acknowledge that there is a need for change.
- Referring to the investigation in Waste Management, a Member asked what action have been taken to improve governance. Members were advised that the investigation had been completed and the disciplinary process had commenced. Members were advised that it was not expected that the cost of the investigation in Waste Management would be covered by corporate insurance policies.
- A Member noted that Cardiff has the lowest recycling rates in Wales. The Director advised that Cardiff's recycling rate is 64%, no other urban area in Wales is performing better than Cardiff, and that when compared to other cities in the UK Cardiff it is one of the best performers.
- A Member asked whether staff were comfortable with completing the staff survey honestly and whether bringing independent surveying has been considered in relation to matters such as health and safety. The Director and Assistant Director stated that they spend more time at Lamby Way, and that they are working with the Operational Manager, Health and Safety to progress health and safety as an improvement matter.
- A Member asked how many staff in the service area and those providing services were EU nationals. The Director agreed to provide details, and information on service delivery mitigation.
- The Chairperson requested that once disciplinary procedures have concluded within the Waste Management Service, Audit Committee would like to be informed of the terms of reference and approach for delivering Post Investigation Reviews.

RESOLVED – That:

- (1) the report be noted;
- (2) In consideration of the impact of Brexit on the Waste Management Service, the Director of Planning Transport and Environment to provide details on the

number of EU nationals who work for and provide key supplies to the service, and how service delivery risks are being mitigated.

- (3) Once disciplinary procedures have concluded within the Waste Management Service, Audit Committee to be informed of the terms of reference and approach for delivering the associated Post Investigation Review.

Finance

89 : FINANCIAL UPDATE INCLUDING RESILIENCE ISSUES

The Committee received a report providing an update on the Council's financial position. Members were advised that Cabinet considered the Month 9 Monitoring Report on 21 February 2019. The report included a summary of the 2019/20 budget, which was approved by the Council on 28 February 2019, and details of the Medium Term Financial Plan. Members were reminded that that they had been provided with the Cabinet reports for information upon publication.

The Head of Finance advised Members that the appropriateness of the Financial Update report for Audit Committee will be reviewed to ensure that it accords with the Committee's Terms of Reference. In responding to comments from a Member about the level of detail and language in the budget report, the Head of Finance agreed, saying he does not feel there is value summarising Cabinet report information in a separate report to the Audit Committee.

The Corporate Director Resources was asked to comment on his predecessors warnings in relation to capital spend. The Corporate Director stated that his overall view would be formed through his work over the next few months. However, there was no evidence to suggest that the authority was not operating within prudential limits.

RESOLVED – That the Committee notes the financial information in respect of the 2018/19 monitoring position and the outcome of the budget for 2019/20 and the medium term.

90 : ACCOUNTING POLICIES AND TIMESCALES FOR 2018-19 STATEMENT OF ACCOUNTS

The Committee received a report that had been prepared to provide Members with the proposed timescales for the 2018/19 financial statements, the draft accounting policies in which the Statement of Accounts will be based and wider information on the changes expected from the CIPFA Code. The Operational Manager - Capital, Corporate & Treasury presented the report.

A Member considered that, transactions of a commercial nature could be shown in more detail in the Council's Statement of Accounts. The Operational Manager advised that summary transactions are provided, and links to the detailed accounts of the relevant companies / Joint Committee accounts are included in the notes to the accounts for user information and signposting.

A Member considered more clarity was needed on the pension deficit, and considered that Rhondda Cynon Taff's accounts were particularly clear in this respect, as the pension deficit was shown alongside debt. Officers welcomed the feedback and agreed to take those comments on board.

A Member asked whether the authority has an accounting policy on the success or failure of achieving savings targets. The Head of Finance advised that the Senior Management Assurance Statements (SMAS) assess each directorate against 23 areas, one of which relates to achieving savings targets. The Corporate Director Resources stated that the Corporate Risk Register makes it clear that responsibility and accountability for ensuring processes are in place to support delivery of savings targets lies with him and it is a role he takes seriously.

A Member asked whether any consideration has been given to increasing the employee or employer contributions to the pension fund, and were advised that employee contributions levels are set nationally. Members were asked to note that the Cardiff and Vale Pension fund was cast wider afield than just local government staff.

A Member asked if the Operational Manager was comfortable with the policy on depreciation, as there are a range of issues relating to the age and condition of buildings, and the sale of property could be used to help reduce the pension deficit. The Operational Manager stated that the authority has a capital receipt target. Members were advised that assets have an accounting valuation, and whilst depreciation is important, it is considered that the authority must gauge matters such as – Are we using assets effectively? Is there an asset plan in place? Can we dispose of the asset?

RESOLVED – That Committee notes:

- (1) The timescales for the 2018/19 accounts;
- (2) The draft accounting policies and assumptions to be used in preparing the statements of accounts for 2018/19;
- (3) The key changes in the Code of Practice for 2018/19, and changes in the medium term.

Governance and Risk Management

91 : DRAFT AGS 2018-19

The Head of Finance presented the draft Annual Governance Statement (AGS) 2018/19. Members were advised that the document had been prepared prior to the year-end and therefore a number of additions were to follow in the next iteration, namely the assurance statements from the SMT, Audit Manager and the Audit Committee. The Committee was advised that the completed draft AGS would be brought back for further consideration and Members were invited to comment.

A Member considered that Health and Safety was a key issue for the organisation but it was not included in the AGS. The Member asked whether there were any proposals to strengthen the profile of the Health and Safety Advisory Group. The

Head of Finance advised that a briefing paper would be prepared for Audit Committee Members on this area, and that the AGS would be updated to capture the position.

RESOLVED – In respect of the Health and Safety Advisory Group:

- (1) Audit Committee to receive a briefing, to outline the current terms of reference and any potential development of its role to challenge and oversee good governance;
- (2) Officers to document its role in the draft Annual Governance Statement 2018/19.

92 : CORPORATE RISK MANAGEMENT (QUARTER 3)

The Committee received an update on the risk management position at Quarter 3 2018/19 from the Head of Finance and the lead Risk Management Officer.

Members were asked to note three corporate risks being targeted for risk reduction in Quarter 4 2018/19 – Financial Resilience, Budget Monitoring (Control) and Statutory Building Maintenance. Members were advised that both the Financial Resilience and Budget Monitoring risks are expected to be reduced to their target ratings C2 (medium) following the approval of the 2019/20 budget and the reported balanced outturn for 2018/19. In respect of Statutory Building Maintenance, the risk owner has reported that the Quarter 4 target for reduction of the risk to D3 (medium) was on track to be achieved.

A Member asked why the only corporate risk listed without a lead owner was 'Brexit'. The Head of Finance advised that this risk has collective responsibility both corporately and by Cabinet, but agreed that this principle would be reflected upon.

A Member considered that there were a high number of 'red' rated risks, including budget monitoring, and another Member noted that budgetary pressures on borrowings, deficits and reserves features across a number of corporate risks. The Head of Finance stated that the high number of 'red' rated risks reflect the authority's areas of concern where priority attention is required. The Head of Finance stated that the Budget Report 2019/20 sets out the financial risks in detail and provides further context.

A Member commented on the use of spreadsheets to present the narrative data and asked whether bespoke risk management software could be considered. The Head of Finance acknowledged those concerns and accepted the need to explore other options. Comments were also raised about the level of detail, which needs to be kept up to date in the corporate risk register, and the Head of Finance advised that opportunities will be considered to use the corporate risk register to signpost details, rather than restating detailed information.

A Member noted that the Council on 28 March 2019 declared a 'climate emergency' and suggested that this should be reflected on in the Corporate Risk Register, as the authority is expected to take action.

RESOLVED – That the report be noted.

93 : AUDIT COMMITTEE SELF-ASSESSMENT FEEDBACK / ACTION PLAN

The Audit Manager presented the outcomes of the Audit Committee self-assessment workshop, which was held on 22 January 2019 using the CIPFA best practice guidance. Members were also provided with a draft Audit Committee Action Plan to target areas for progression / improvement.

Audit Committee was advised that the Self-Assessment reported a positive overall position from the reviews of good practice and effectiveness and considered that previously identified actions had been sufficiently progressed.

An additional assessment of the core knowledge and skills of individual Audit Committee Members had identified strong individual performance in each core area, and had identified some training areas where collective knowledge and skills were lower. Audit Committee Members were reminded that the first training session on 'Treasury Management' would follow the Audit Committee Meeting. The Audit Committee agreed the self-assessment results and the Action Plan.

RESOLVED – That the Audit Committee Action Plan be approved.

Wales Audit Office

94 : ANNUAL AUDIT PLAN 2019

Ann-Marie Harkin, Engagement / Financial Audit Director of the Wales Audit Office (WAO) and colleagues presented the Annual Audit Plan 2019. Members were asked to note the significant financial audit risks set out in Exhibit 2 of the Plan and the programme of audits set out in Exhibit 3. The Committee was also advised that there has been a slight reduction in the costs to the authority and WAO will be looking for further efficiencies that, if brought in at a lower cost, will result in a refund.

A Member asked how and where the Cardiff Capital Region City Deal is audited and how it would be reported. Members were advised that the Auditor General for Wales has responsibility and a separate plan is in place to report to the Joint Cabinet.

A Member asked whether it would be possible for WAO to circulate audit reports more widely. Members were advised that WAO works in the public domain and reports are available on their website. It is also up to the Council's officers to distribute any audit reports to relevant scrutiny committees and members.

Members welcomed the new approach to performance audits referred to in the Audit Plan. Members asked what positive impacts WAO were looking to gain from this new approach. Members were advised that it was hoped WAO would provide more support, help improve services, provide more commentary and added value. It was suggested that WAO could potentially play a more active part in Audit Committee meetings by interacting with the discussions during agenda items. The Engagement / Financial Audit Director stated that WAO can provide an opportunity to meet with Committee members before the start of Audit Committee meetings.

Members noted that a number of the performance audits from the 2018/19 plan were still in progress. The Engagement / Financial Audit Director confirmed that some work was ongoing and advised that any delays were not for Council-related reasons.

With reference to the ongoing investigation into issues in Waste Management, a Member asked whether WAO would look at how the Council has responded to the investigation. Phil Pugh, Financial Audit Manager stated that as part of their planning procedures the WAO considers the risk of fraud. Members were advised that the WAO are being kept up to date regarding the investigation and the extent of any financial irregularities. This information is used as part of the risk assessment process when WAO is assessing areas to look at and Waste Management will be looked at in 2019/20.

RESOLVED – That the Annual Audit Plan 2019 be noted.

95 : CARDIFF AND VALE PENSION FUND AUDIT PLAN

Phil Pugh, Financial Audit Manager of the Wales Audit Office presented the Cardiff and Vale Pension Fund Audit Plan 2019. Members were asked to note that there are two specific areas of interest, namely, the valuation of private equity investments and the fact that Cardiff has not transferred investments across to the All Wales Pension Partnership.

RESOLVED – That the Cardiff and Vale Pension Fund Audit Plan 2019 be noted.

96 : WAO ACTIVITY/REPORT PROGRESS UPDATE

Sara-Jane Byrne, Performance Audit Manager presented the Wales Audit Office Activity Report and Progress Update.

A Member reiterated a point made previously that it was important to get information out to Members as there were fewer Cabinet reports being presented at Scrutiny Committees and therefore there was limited opportunity to question officers. Other Members considered that it was incumbent on bodies to do their own tracking and questioned where WAO reports go within the Council.

The Audit Manager advised that the Corporate Policy and Performance Team track the recommendations raised through WAO reports and progress updates. Members were advised that alerts of WAO reports are sent to key managers in the organisation for their respective areas of work. In respect of Audit Committee business, the Audit Manager and the Chair are both on the distribution list, and endeavour to circulate reports to Audit Committee members relevant to the Committees terms of reference.

RESOLVED – That the report be noted.

Treasury Management

97 : PERFORMANCE REPORT

The Committee received a report from the Operational Manager - Capital, Corporate & Treasury on the performance information and a position statement on Treasury Management as at 28 February 2019.

Members were advised that an additional £4 million of external borrowing had been undertaken since the last report. Members were also asked to note that the Council was still awaiting formal confirmation from the Welsh Government in respect of the removal of the Housing Revenue Account borrowing cap, which is expected by 31 March 2019.

RESOLVED – That the report be noted.

98 : TREASURY MANAGEMENT PRACTICES

The Committee received a report from the Operational Manager - Capital, Corporate & Treasury on the proposed Treasury Management Practices (TMPs) to apply from April 2019. Members were advised that in the latest version the main changes were updates to wording and dates where relevant; staffing changes and updates to the revised Treasury Management Strategy. The practices had also been updated to include the approach to Non Treasury investments such as commercial property. Members were asked to note that such investments would be managed outside of normal treasury activity e.g. by the Council's Strategic Estates function in accordance with a strategy approved by Cabinet in November 2016.

RESOLVED – That the report be noted.

Internal Audit

99 : AUDIT TEAM PROGRESS UPDATE

The Committee received a report providing an update on the work of Internal Audit as at 15 March 2019. The Audit Manager provided an outline of the audit delivery and the audit findings and recommendations relating to the reporting period. In summarising the audit delivery, the Audit Manager wished to record his gratitude to the Internal Audit Team for their strong performance in the final quarter, to deliver 77% of the audit plan, which was the highest delivery in some years. The audit findings and recommendations were outlined to the Audit Committee with prominence given to the critical findings and emerging trends, the executive summaries for two unsatisfactory audits finalised since the last progress report, and the status of the audit recommendations raised.

A Member expressed concern about an audit undertaken at Pontprennau Primary School where a number of concerns were highlighted, and asked whether consideration had been given to removing the authority of the Governing Body. The Audit Manager advised that the Director of Education and Lifelong Learning was well engaged in the audit and its findings, and in terms of the governance mechanism to monitor, manage and control areas where schools require improvement, the Audit Committee will receive an update in September. Members were advised that the Governing Body and Headteacher accepted all of the recommendations in the report, and have committed to addressing the matters raised in the report. The Member stated that he had no idea the school had issues of concern and asked at which point a local Councillor would be advised. The Chairperson noted the points raised regarding liaison with local members but considered that this was not a matter for the Audit Committee to pursue.

A Member noted that a draft report on the Youth Food project had been issued. The Member asked whether the report had considered value for money and whether the project was achieving its outcomes. The Audit Manager advised that the audit focussed on the financial systems in place, as a new operation, which required Section 151 Officer assurance.

RESOLVED – That the report be noted.

100 : INVESTIGATION TEAM PROGRESS UPDATE

The Committee received an update on the work of the Audit Section's Investigation Team as at 15 March 2019.

In addition to the progress update, the Audit Manager drew attention to the Counter-Fraud and Corruption Strategy development. Members were advised that once agreed by the Senior Management Team in the next few weeks, the draft Strategy would be circulated ahead of the next Committee meeting where it is scheduled for consideration on 25 June.

RESOLVED – That the report be noted.

101 : AUDIT CHARTER AND AUDIT PLAN 2019-20

The Audit Manager presented the report and reminded Members that on 22 January 2019 they had received the Draft Internal Audit Charter and Audit Plan 2019/20 to consider and provide comments. This further report provided details of the minor additions to the Internal Audit Charter 2019/20. In particular, these additions focussed on the CIPFA Local Government Application Note, which was published in February 2019.

Members were also advised that the Audit Plan had also been further developed since it was provided in draft form to Audit Committee in January, and it was presented for approval by Committee following discussions with senior management.

Members welcomed the audit of Ethics and Values, as there was interest in assurance on gifts and hospitality and declarations of interest. Members asked whether the Charter would require any adjustment to reflect the comments raised by the Committee regarding communication with local members. The Audit Manager advised that the Audit Charter follows best professional practices, from the IIA and CIPFA, and considered that any wider communication of audit outputs would be a matter for the clients who receive the Audit Reports and senior officers.

RESOLVED – That the Internal Audit Charter and Terms of Reference 2019/20 and the Internal Audit Plan 2019/20 be approved.

102 : SCRUTINY CORRESPONDENCE (SCRUTINY COMMITTEE ACTIVITY)

The Audit Manager advised that the Chairperson's written correspondence since the last Audit Committee meeting has been published on the Council's website and Members were signposted to the relevant pages.

The Chairperson confirmed that he has requested information regarding the use of non-disclosure agreements and the response would be shared with Members of the Committee in due course.

103 : OUTSTANDING ACTIONS

The outstanding actions were noted.

104 : WORK PROGRAMME UPDATE

The Committee's Work Programme update was noted.

105 : URGENT ITEMS (IF ANY)

No urgent items were received.

106 : DATE OF NEXT MEETING

The next meeting of the Committee will take place on 25 June 2019, subject to approval by Annual Council on 23 May 2019.

The meeting terminated at 5.00 pm



AUDIT COMMITTEE: 25th JUNE 2019

ECONOMIC DEVELOPMENT UPDATE ON INTERNAL CONTROL ENVIRONMENT
REPORT OF DIRECTOR OF ECONOMIC DEVELOPMENT AGENDA ITEM: 6.1

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 Economic Development Directorate.
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.
 - To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
 - To review the assessment of fraud risks and potential harm to the council from fraud and corruption.

Background

3. The Economic Development Directorate has responsibility for a wide and complex range of statutory duties, functions and services. The Directorate manages the Council's Economic Development team; Major Projects; County Estates functions, Culture, Venues & Events teams, City Centre Management team, Tourism, and Parks, Sport, Harbour Authority & Leisure services. To enhance the broad range of services offered, the directorate will continue to explore innovative ways to deliver high quality services to residents, visitors and businesses. To support this challenging agenda, the directorate currently employs 842 FTEs. To illustrate the scale and variety of activities provided, here is a list of the strategic priorities progressed during 2018/19:

Attract more and better jobs:

- Supported the creation of 2,070 jobs.
- Completed consultation on a draft Economic Strategy: Economic Development White Paper 'Building More and Better Jobs'.
- Supported Cardiff University to secure £10m AHRC Creative Industries Cluster funding.

Attract more visitors that stay longer:

- Cardiff successfully hosted the Volvo Ocean Race Cardiff stopover for competitors and received over 180,000 people at the Race Village site in Cardiff Bay.
- Cardiff Castle attracted 303,238 visitors by hosting new ventures such as open air theatre and events not traditionally associated with the Castle, such as concerts from Pete Tong and Catfish and the Bottlemen. The castle received a net promotor score (NPS) of 45. A NPS score above 0 is considered good, +50 is excellent, and above 70 is considered world class.

Continue the regeneration of the city centre and Cardiff Bay:

- The Metro Central Delivery Partnership Working Groups have been established by Transport for Wales and Cardiff Council to progress the Metro System.
- Developed business case and strategy for a new Indoor Area.

Continue to modernise the management and operation of the Council's estate:

- Improved statutory maintenance contracting arrangements; a new framework for non-domestic building maintenance works commenced in April 2019.
- Completed a comprehensive review of the Council's estate.

Supported Sport, Leisure and Green Spaces:

- Awarded a £152,000 Heritage Lottery Fund grant for the Walk Through Time project, in partnership with RSPB Cymru and the Flat Holm Society. The project will ensure the long-term sustainability of the island through investment in infrastructure, an increase in volunteer activity and the development of educational / tourist engagement programmes.

Issues

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

4. Improved Governance

New governance arrangements introduced via the Corporate Landlord Model internal change programme to help us better manage building and property related risks. The Corporate Landlord approach ensures the strategic direction of the estate aligns with the management of all information relating to non-domestic assets delivering statutory compliance, and effective management of other property managing functions. Strategic controls related to land and buildings is managed by Strategic Estates in conjunction with Health & Safety, Legal and Insurance. Governance and assurance is provided through various boards including:

- Asset Management Board – This Board is used to test high level principles and deliberate how to tackle any issues that are critical to the model. Members include the CEX, Directors and applicable OM's.
- Corporate Landlord Board – This Board is facilitated by the CADT team and runs through the projects management side of the programme. Members include SED, FM, PDD, CADT and Accounts.
- Corporate Landlord Working Group – This group updates and communicates Corporate Landlord principles to service area property managers. It also provides an opportunity for those managers to query, suggest and challenge issues.
- School Organisation Programme Board – this board manages the planned expansion and upgrade of the existing school estate.

5. Technology

The directorate introduced a Statutory Obligation Compliance software RAMIS and is in the process of introducing Tech Forge to give a holistic view of property performance. Strategic Estates are the first service area to implement this new system, and this is to be introduced over two phases commencing in May 2019.

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

7. Directorate Delivery Plan (DDP)

The directorate management team outline plan to deliver key strategic and operational activities aligned to the Capital Ambition Delivery Plan. Managers consider resources required to deliver projects and initiatives and identify the key risks to delivery, in order to develop and implement actions to achieve a risk tolerance level relevant to the activity.

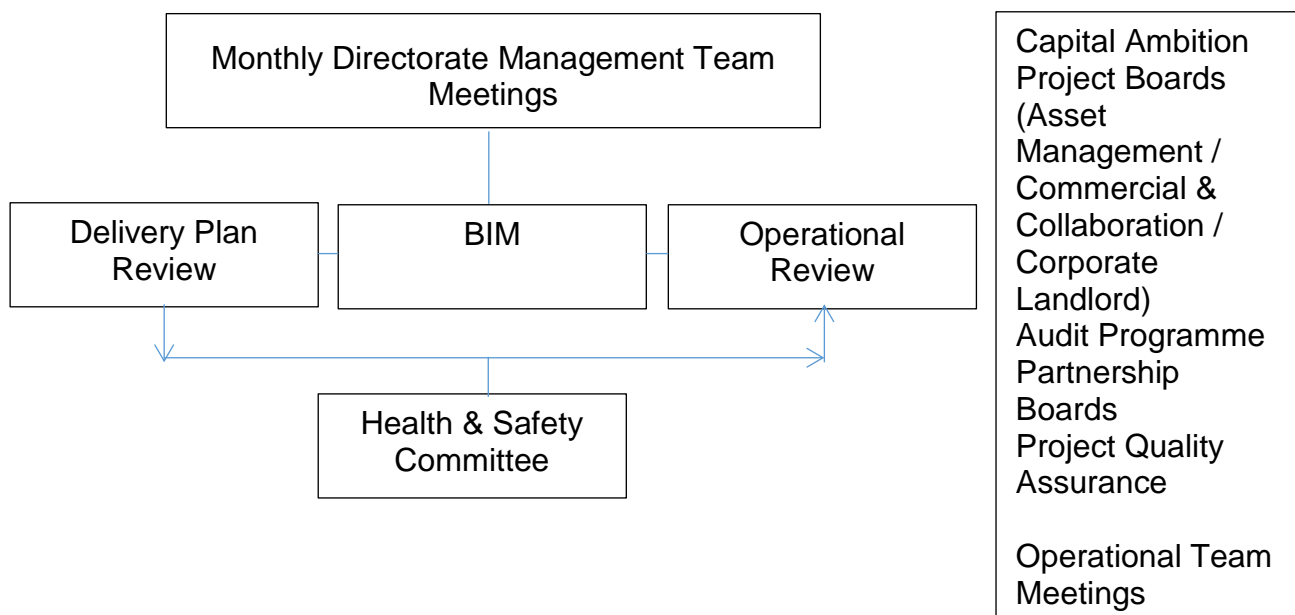
8. Risk Registers

Risks identified in the DDP are recorded in the DDP are included in the directorate risk register. Officers responsible for managing risk are named along with risk controls in place and any further actions required to manage risk priority down to an acceptable tolerance level.

9. Quarterly Review Arrangements

The directorate risk register is reviewed on a quarterly basis by risk owners and ongoing advice and guidance is provided by the directorate risk champion. Risk management is a standing item and documented at regular directorate management team meeting such as quarterly BIMs and performance management reviews. At these meetings, the operational management team formally identify emerging risk, agree mitigation levels and, where appropriate, risks can be identified to be escalated to SMT for targeted mitigation.

10. Capital Ambition Project Boards and project plans provide governance and assurance for strategic projects and regular monitoring and reporting arrangements to project boards is established. The monthly management team meeting quarterly review cycle is shown below, which also includes the project management boards and quarterly Health and Safety Committee:



Current Corporate Risks

11. One Economic Development risk is captured on the Corporate Risk Register:

Non-completion of Statutory Building Equipment maintenance

This risk is managed by the Health & Safety Compliance Board in the Corporate Landlord Programme, chaired by the Chief Executive, and reports to the Capital Ambition Programme Board. Significant progress has been made to mitigate this risk including:

- New improved statutory maintenance contracting arrangements including use of SFG 20 as specification for statutory obligations testing and new risk based specification for legionella management supported by RAMIS.
- Established Statutory Maintenance Team as part of the Building Services Team.
- Regular compliance reporting to SMT and managers through the Statutory Obligation Compliance software system RAMIS.
- A refreshed Schools Building Handbook and Memorandum of Agreement was issued in 2018 defining the operational and statutory requirement for both schools and the Council in meeting their obligations in relation to school buildings.
- In parallel with the Schools Building Handbook, the One Front Door Service Desk providing a single point of entry for customers for building related matters was successfully piloted with the school estate and will be rolled out to the non-school estate in 2019/20.

(b) Senior Management Assurance Statement

12. The Directorate Management Team is actively engaged in the review of the Council's significant governance issues and complete individual Senior Management Assurance Statements (SMAS). These inform the development of a collective directorate assurance and provide an opportunity to compare the previous year's statement to track improvements. Overall there is a strong application of governance and controls across the directorate and there is an improved position in terms of partnership assurance, compliance and fraud prevention and detection mainly due to the implementation of the Corporate Landlord model and service restructures.
13. There is currently a mixed application regarding the consideration and documentation of the Future Generations Act as part of our decision making. This requirement has been considered in the review of key strategies during 2018/19, for example over the last year the Council completed consultation on the Green Paper Building More and Better Jobs prior to bringing forward a new Economic Strategy for the future development of Cardiff. More than 100 consultees, including representatives from major employer organisations, were engaged in the development of the Economic Vision to ensure that the Economic Vision strategy is aligned with market changes.

14. Value for Money

In-year budget management is on target; 2018/19 savings targets delivered; early realisation of a number of 2019/20 savings proposals to support 2018/19 corporate position. Financial and non-financial outcomes and benefits are identified, where relevant, in the annual corporate budget setting process.

15. Worked with the Section 151 Officer and Senior Management Team to deliver £2,486,000 savings in 2018/19.

16. Contributing effectively to the corporate financial position through the identification of opportunities to realise significant capital receipts to support the schools programme and the Council more generally.

17. Budget management is controlled. Improved management of FM budgets is being implemented.

18. Major Project Governance Information

Major Project governance is provided by Major Projects Boards attended by the Chief Executive and held on a monthly basis along with weekly director meetings with Finance and Legal.

19. This directorate utilises the PQA approach for project management with regular engagement with the Capital Ambition Delivery Operational Manager.

20. Processes are established to develop and manage delivery of other projects and these are reported to Cabinet e.g., Central Square regeneration and a new Multi-Purpose Indoor Arena reports.

21. Cabinet decisions determine project prioritisation, allocation of senior responsibility and governance arrangements.

(c) Internal Audit Engagement and Response

22. The directorate works closely with Internal Audit to provide assurances in specific areas. The following audits were completed in 2018-19:

Audit	Report Status	Assurance Rating	Outstanding Actions	Completed Actions	Total Actions	Implementation Status
Governance	Final	Effective	0	1	1	Completed
Payroll	Final	Effective with opportunity for improvement	0	2	2	Completed
Commissioning & Procurement	Final	Effective with opportunity for improvement	0	3	3	Completed
Capital Cardiff Fund	Final	Insufficient with major improvement needed	0	7	7	Completed
Effective Decision Making	Final	Effective with opportunity for improvement	0	2	2	Completed
Access to Council Tax Payer Data	Final	Effective	0	1	1	Completed
Front of House – Cardiff Castle	Final	Effective with opportunity for improvement	0	3	3	Completed
Partnership & Collaborative Governance	Final	Effective	0	1	1	Completed
CS – Building Maintenance Charging Mechanism	Final	Insufficient with major improvement needed	0	6	6	Completed
Park & Ride Events	Final	Insufficient with major improvement needed	0	8	8	Completed
Youth Foods	Final	Insufficient with major improvement needed	7	5	12	Not yet due
Stock Check (Brindley Road)	Draft	Effective with opportunity for improvement	0	0	6	Not yet due

23. Internal Audits is a standing item at quarterly directorate management team meetings (BIMs) and progress of Audit Report recommendations is discussed and tracked to ensure they are implemented in a timely manner.

(d) Wider Assurance

24. Wider assurances include continued BSI accreditation to the ISO9001:2015 Standard (PDD), an increase in the number of parks and green spaces awarded Green Flag status by Keep Wales Tidy and external recognition for outstanding services provided e.g., the Cardiff Story achieved Gold Award by Visit Wales’ and Creative Cardiff (BBC Cymru Wales, Cardiff Council and Wales Millennium Centre) achieved an Innovation in Partnership award at the 2019 Cardiff University Innovation and Impact Awards.

Legal Implications

25. 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

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

RECOMMENDATIONS

27. That the Audit Committee considers and notes the content of the report.

Neil Hanratty
Director of Economic Development
25th June 2019

The following is attached:

Appendix A: Audit Committee Presentation

Mae'r dudalen hon yn wag yn fwriadol



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





Audit Committee
Tuesday, 25th June 2019

Internal Control Environment Economic Development Directorate



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

Internal Control Environment

Directorate Responsibilities



- **Major Projects** (Central Square, Indoor Arena, ISV, Dumballs Road)
- **City Deal, Cardiff City-Region** (other Strategic Partnerships)
- **Business Support**
- **Inward Investment & City Marketing**
- **City Centre Management & Business Improvement District**
- **Cultural Venues** (Castle / St David's Hall / New Theatre / City Hall / Cardiff Story etc)
- **Major Event logistics** (Volvo Ocean Race etc.)
- **Tourism** (Tourism Network, Tourism Information Centre, Convention Bureau)
- **Parks**
- **Sport & Leisure**
- **Cardiff Harbour Authority**
- **County Estates** (Corporate Landlord including SOP delivery)

Internal Control Environment

Directorate Structure



842 FTE staff in the directorate.

A variety of **operational sites** including:

- Economic Development - County Hall
- Culture & Tourism - Cardiff Castle, St David's Hall, New Theatre, City Hall, Cardiff Story etc
- Parks, Sport & HA – Queen Alexandra House and Wedal Road Depot

Internal Control Environment

Directorate Achievements 2018/19



- Secured over **2,070** new or safeguarded jobs
- Secured £40m contribution towards new **Central Station**
- Secured £10m AHRC **Creative Industries Cluster** funding
- Delivered successful **Creative Cities Convention** in 2018
- Published a new **Economic Strategy**
- **Central Quay** development secured planning permission
- Successful delivery of the **Volvo Ocean Race**
- Developed business case and strategy for a new **Indoor Area**
- Master-planning for the **City Centre and Bay**

Internal Control Environment

Directorate Achievements 2018/19



- **22.17 million visitors** to Cardiff (+0.5% on 2017)
- Hosted the **National Eisteddfod 2018** attracting 500,000 visitors
- **Cardiff Story** awarded a Gold Award by Visit Wales
- Flat Holm project awarded **HLF Heritage Grant Scheme**, total grant @ £2m
- Establish a Sport Stakeholder Group to develop the **Sport Strategy**
- **Green Flag** awarded to Heath Park
- Implementing a **Corporate Landlord Property Model**
- On track to meet targets in the **5 year Corporate Property Strategy**
- Continued accreditation to **ISO9001:2015 Standard** (PDD Team)

Internal Control Environment

Risk Management



Good level of risk oversight and mitigation

- **Income:** Vast amount of the directorate expenditure funded by external income therefore subject to market fluctuations
- **Funding:** Limited availability of external funding to unlock investment in the city
- **Achieving Efficiencies:** increase the scope and number of projects / services delivered in collaboration with partners to achieve efficiencies
- **Tourism Market Demand:** The growth in the total number of visitors and the number of staying visitors declined nationally in 2018/19

Internal Control Environment

Corporate Risk Mitigation



Corporate engagement on high priority risks identified, eg.

Non completion of **Statutory Building Equipment maintenance** - non domestic building compliance (including schools).

Current Risk Rating: **High Priority**

		Impact			
		1 Major	2 Significant	3 Moderate	4 Minor
Likelihood	A Very Likely	X	X	X	X
	B Likely	X	X	X	X
	C Possible	X	X	X	X
	D Unlikely	X	X	X	X
	E Very Unlikely	X	X	X	X

Internal Control Environment

Corporate Risk Mitigation



Controls:

- Implementing **Corporate Landlord Model work streams** reporting to the Capital Ambition Delivery programme & SMT
- Improved **statutory maintenance contracting arrangements**: use of SFG20 specifications
- Completed survey to **better understand land and buildings** in the Estate portfolio to inform decision making
- Implementing **asset management technology** to digitise property data

Internal Control Environment

Corporate Risk Mitigation



Management Actions

We will continue to work with partners in schools and across the Council to implement a programme of work to manage the risk down to a medium priority risk rating during 2019/20.

Target Risk Rating: **Medium Priority**

		Impact			
		1 Major	2 Significant	3 Moderate	4 Minor
Likelihood	A Very Likely	Red	Red	Orange	Green
	B Likely	Red	Red	Orange	Green
	C Possible	Red	Orange	Yellow	Green
	D Unlikely	Orange	Orange	Yellow with X	Green
	E Very Unlikely	Yellow	Yellow	Green	Green

Internal Control Environment

Control Environment

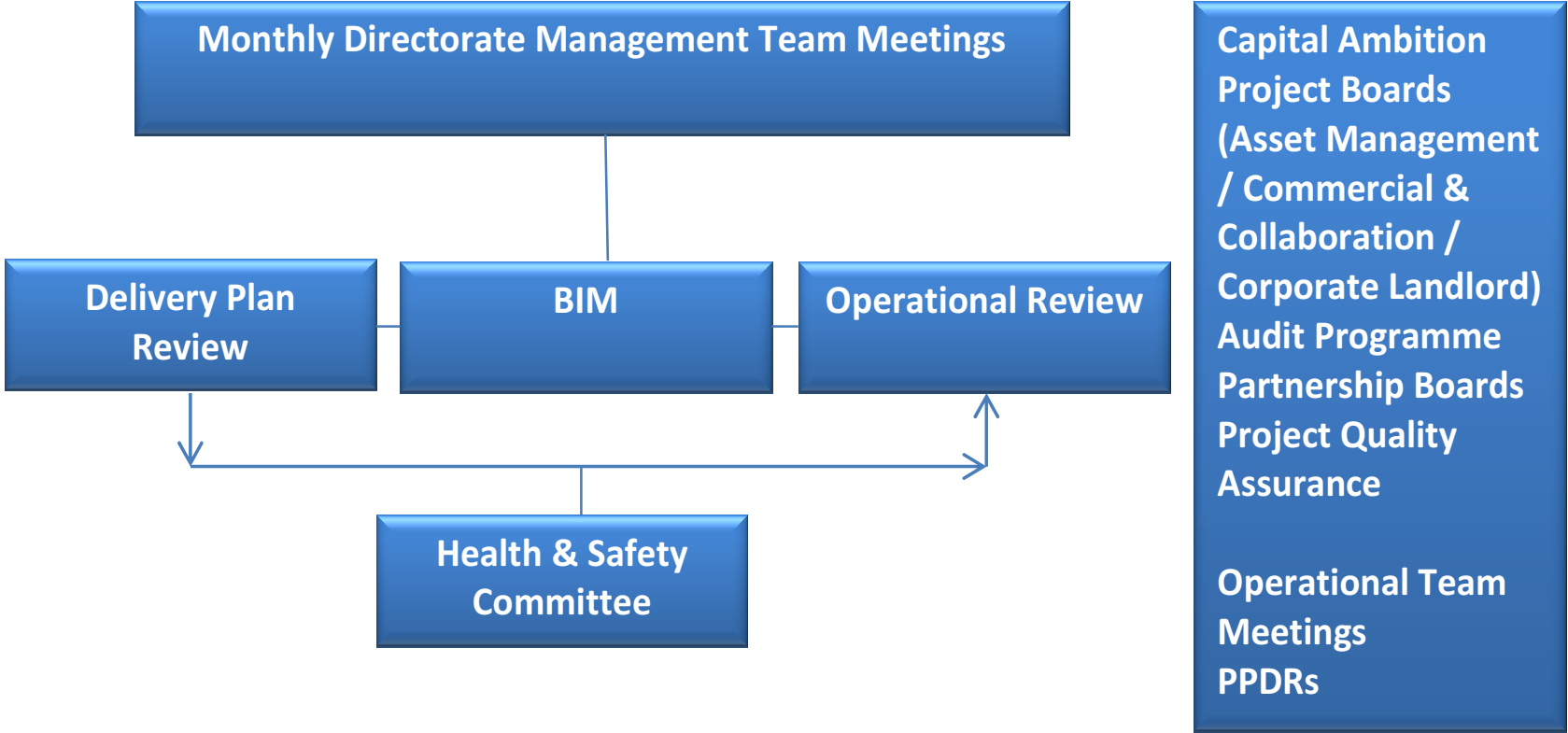


- Directorate Delivery Plan
- Risk Registers and Risk Review Meetings
- Quarterly Performance Reports
- Directorate Management Team & other Supporting Meetings
- Capital Ambition Delivery Programme and engagement with CAD Team
- Reports to Cabinet, Scrutiny and Internal Reviews
- Guided by Statutory Regulations, Policies and Strategies
- Internal Audits and external Quality Assurance

Internal Control Environment Monitoring and Review Cycle



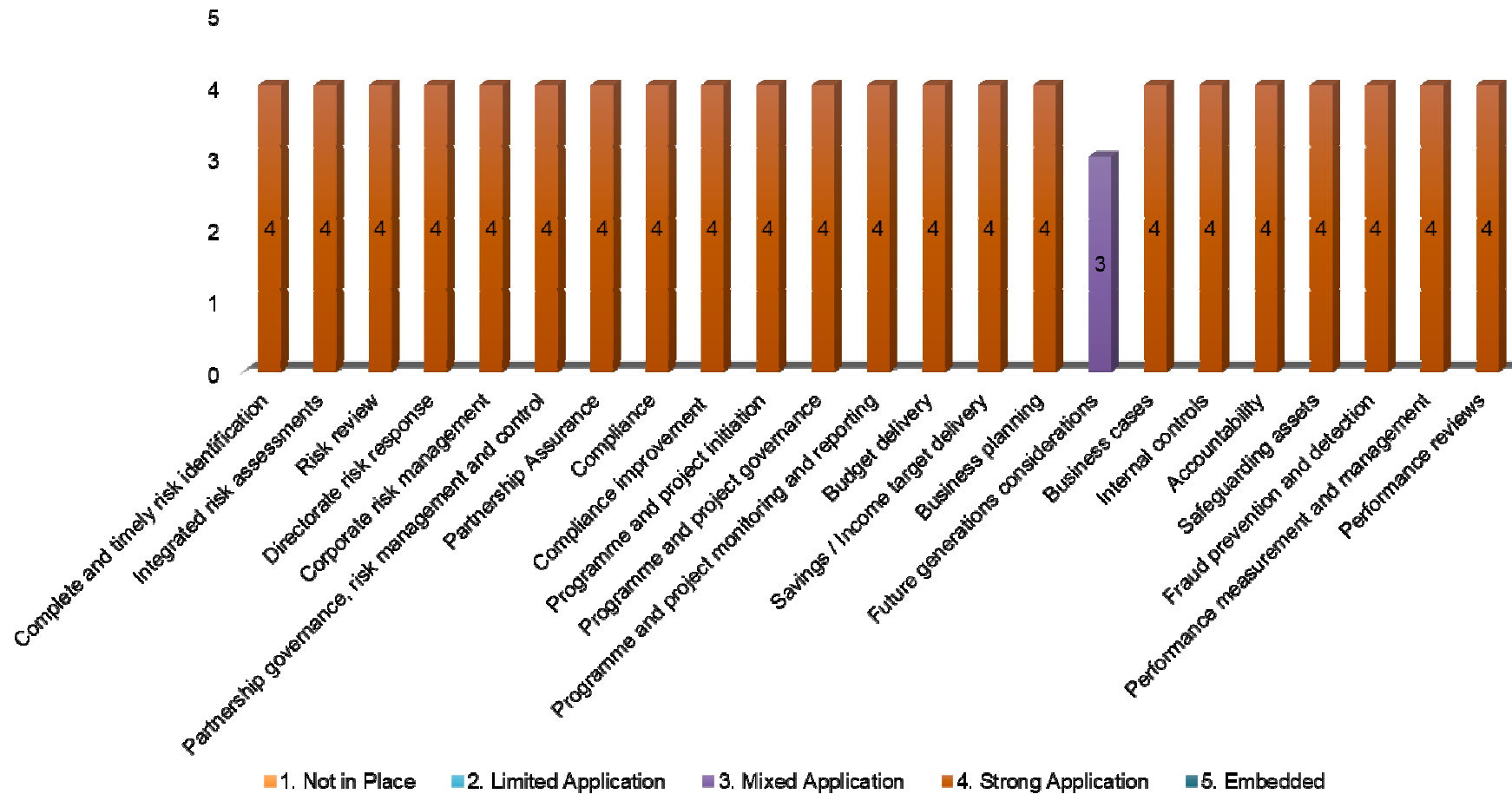
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Internal Control Environment

Economic Development Year End SMAS 2018/19

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Internal Control Environment

Internal Audit Engagement



The directorate work closely with internal Audit to provide assurances in specific areas.

Audit recommendations **completed** in 2018-19:

- Governance
- Payroll
- Commissioning & Procurement
- Capital Cardiff Fund
- Effective Decision Making
- Access to Council Tax Payer Data
- Front of House – Cardiff Castle
- Partnership & Collaborative Governance
- Budget & Forecasting
- CS – Building Maintenance Charging Mechanism
- Park & Ride Events

Audit recommendations **being progressed**:

- Youth Foods &
- Stock Check (Brindley Road)

Questions?



Mae'r dudalen hon yn wag yn fwriadol



DRAFT STATEMENT OF ACCOUNTS 2018/19

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 7.2

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for Financial Reporting. The CIPFA Audit Committee Guidance (2018) sets out the details of core knowledge and application of knowledge.

Details of core knowledge	Area of application of knowledge
Understanding of good financial management principles	Reviewing the financial statements prior to publication
Role of the Chief Finance Officer (CFO)	Receiving the external audit report and opinion on the financial audit
Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them	Reviewing both internal and external audit recommendations relating to financial management and controls
	Reviewing how the role of the CFO is met

2. This report has been prepared to provide Audit Committee Members with an opportunity to review and provide comments on the draft 2018/19 Statement of Accounts of :-
 - Cardiff Council including; Cardiff Harbour Authority; Cardiff Port Health Authority; Trust Funds – **Appendix 1**
 - Cardiff and the Vale of Glamorgan Pension Fund – **Appendix 2.**

The accounts were signed by the Responsible Finance Officer prior to the statutory deadline of 15 June and are currently the subject of external audit and public inspection along with the Annual Governance Statement. It is proposed that audit committee members can submit questions and comments in relation to the accounts up to 15 July 2019.

Background

3. The Local Government (Wales) Measure 2011 identifies the review of the Council's Statement of Accounts as a specific function of the Audit Committee.

4. The Statement of Accounts are complex and must meet a number of requirements. They are prepared in accordance with a Code of Practice developed by the Chartered Institute of Public Finance and Accountancy (CIPFA), legislative and Companies Act requirements where relevant.
5. Preparation and publication of the Statement of Accounts:
 - is a statutory requirement
 - aims to provide a true and fair view of the Council's financial position
 - provides accountability – Electors, tax and rent payers, pensioners, those charged with governance, funders, employees etc.
 - allows comparison / benchmarking across organisations
 - allows comparison across financial years
 - allows for consolidation for Whole of Government Accounts
 - allows interested parties to review and raise questions to Council and its auditor
6. At its April 2019 meeting, Audit Committee considered the accounting policies on which the Council's Statement of Accounts for 2018/19 were to be based, along with the key areas in the accounts where estimates and assumptions are used in preparation of the accounts. Key changes expected to be implemented for the 2018/19 accounts arising from the 2018/19 CIPFA Code of Practice (the Code) and our own internal review were also highlighted.

Issues

7. The draft Annual Governance Statement (AGS) has also been updated following Audit Committee consideration in April 2019, and is included for consideration by Audit Committee as part of the agenda.
8. The Council's statement of accounts includes:
 - narrative report
 - accounting policies
 - core financial statements
 - disclosure notes to the accounts
 - supplementary statements including Housing Revenue Account, Trust Funds, Cardiff Port Health Authority, Cardiff Harbour Authority and also group accounts which consolidates the position to include the unaudited financial position of Cardiff City Transport Services Limited (Cardiff Bus)

Notes included in the Council's Statement of Accounts either as a result of legislative or accounting requirements include:

- disclosures on financial instruments (financial assets and financial liabilities)
- capital expenditure and financing
- remuneration and
- reserves and provisions.

Committee have previously been provided with a document prepared by CIPFA – Understanding Local Authority Financial Statements. This is a background paper may assist members of Audit Committee and other users to understand the format of the accounts.

9. It is recognised that these are complex documents and as suggested previously, audit committee members are to be provided with the opportunity of an extended period of time to review and comment on the statements than would normally be the case. Comments must be submitted in writing to Anil Hirani (ahirani@cardiff.gov.uk) by 15 July 2019, in line with the end of the public inspection period. This provides circa three weeks for members to review, instead of the very short period of less than a week that would normally be the case. This is a new opportunity which we need to manage within existing resources in parallel to answering queries of the auditor, however one which will support members to undertake their scrutiny role. The approach will need to be developed in future years, with any questions limited to the terms and reference of the Committee.

Next Steps

10. Current regulations require that the Responsible Finance Officer sign the accounts by 15 June 2019. Which has been actioned. A draft of Appendix 1 and 2 was provided to Wales Audit Office on xx June 2019, The next steps are:
- to complete the Public inspection period of 20 working days which began on 18 June 2019 and is to end on 15 July 2019
 - receipt of Audit Committee member queries / comments 15 July 2019 with a view to officers circulating responses to committee prior to next audit committee
 - to complete Whole of Government Accounts returns based on the draft accounts, in July 2019
 - receipt of all external audit queries and material amendments 1 August 2019
 - Draft audited accounts to be presented to Audit Committee 10 September 2019 and full Council for approval on 12 September 2019
 - to publish the approved accounts by 15 September 2019 on the Council website.

Legal Implications

11. No direct legal implications arise from this report.

Financial Implications

12. No direct financial implications arise from this report.

RECOMMENDATIONS

That Audit Committee:

- I. Note the 2018/19 draft Statement of Accounts and highlight any queries and comments by 15 July 2019.
- II. Note that the audited Statements and Annual Governance Statement for 2018/19 will, prior to being presented to Council, be reviewed by this Committee in September along with the audit report.

CHRISTOPHER LEE

Corporate Director Resources

18 June 2019

The following appendices are attached:

Appendix 1 – Unaudited Draft Statement of Accounts 2018/19 – Cardiff Council including, Cardiff Harbour Authority, Cardiff Port Health Authority and Trust Funds

Appendix 2 - Unaudited Draft Statement of Accounts 2018/19 – Cardiff and Vale of Glamorgan Pension Fund

Background Paper – Understanding Local Authority Financial Statements (CIPFA – 2016)

Draft Statement of Accounts 2018/19

The County Council of the City and County of Cardiff,
Cardiff Harbour Authority and Cardiff Port Health Authority



CREV GWIR IN THESE STONES
FEL GW YDR HORIZONS
OR WRNALS AWENJING

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Narrative Report by Council's Statutory Finance Officer



Introduction

This report presents the 2018/19 Statement of Accounts for the County Council of the City and County of Cardiff (the Council). It sets out our financial performance for the past year and is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

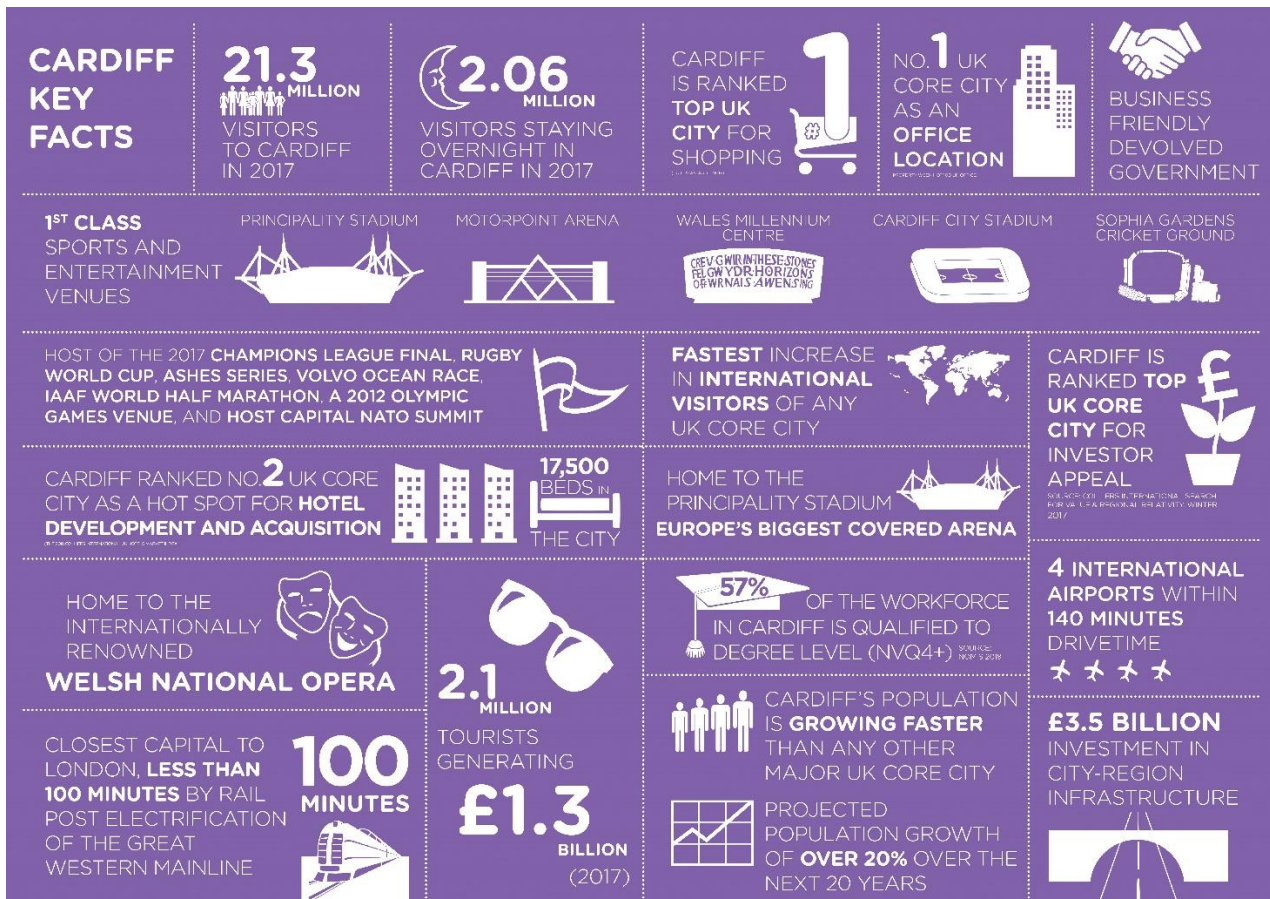
The cumulative savings made by the Council over the past 10 years are over £250 million and the financial outlook for future years remains extremely challenging. The process of identification of savings, modernisation and improvement to ensure resilient services is a continuous one and will need to be sustained in the medium-term. This is in the context of an uncertain economic environment in Wales, UK and internationally, and the need to maintain priority services that meet resident's expectations. There is a need to invest in the city's future, to prioritise and challenge the way we deliver services whilst ensuring we remain financially resilient, not only now, but for future generations.

Our City

Cardiff is a city in the south east of Wales, covering an area 140 square kilometres. It is the 11th largest city in the United Kingdom with a population of 367,000 living in approximately 151,000 homes.

Cardiff is now a true economic, cultural and political capital city. A city of strong and safe communities, great schools and universities, creative, talented, and welcoming people. Its economy is growing, jobs and businesses are being created, and unemployment is at its lowest level this decade.

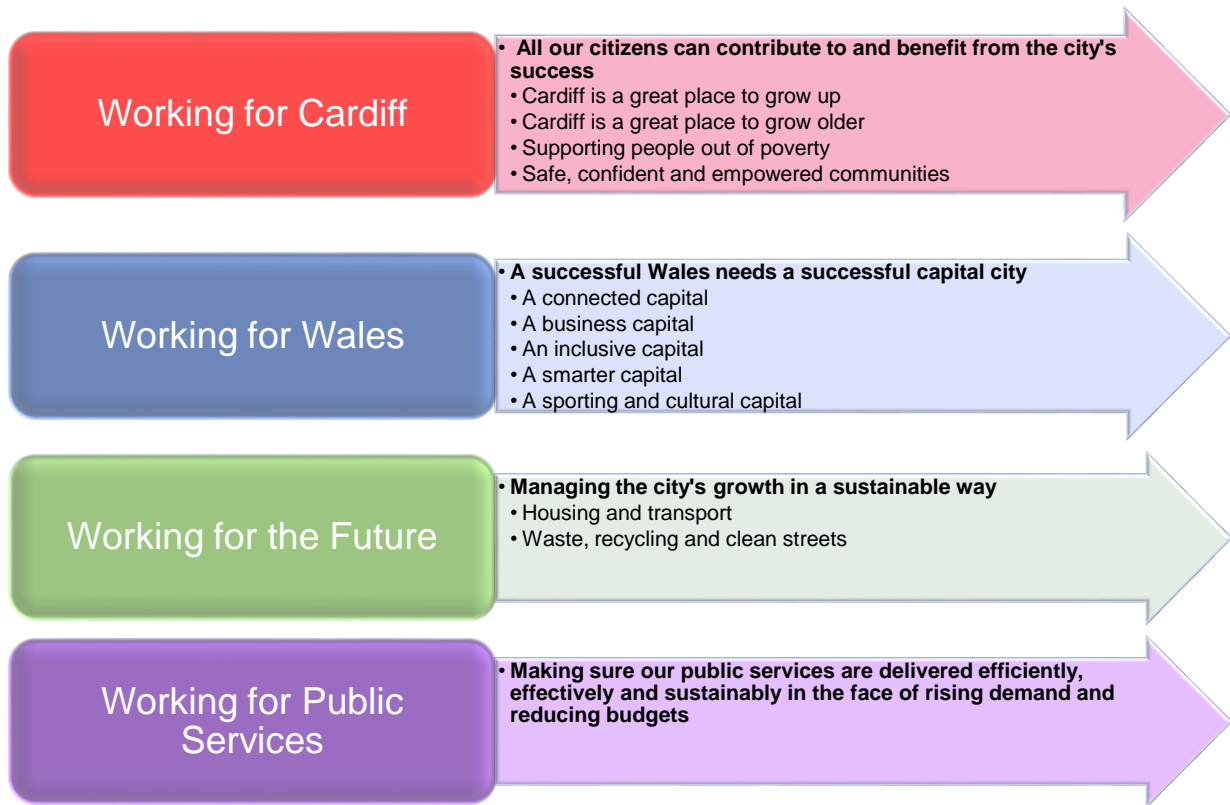
As well as those living in the city, nearly 100,000 people commute to Cardiff every day from across the city region. However, like all cities, Cardiff has its challenges and health, social and economic inequalities exist within the city. Economic success has brought pressures such as congestion, air pollution and a demand for affordable housing.



Our Capital Ambition

The Council, through its Capital Ambition, explains how it aims to address the above challenges by embarking on a programme of action, with commitments and targets to move forward in the face of significant budgetary constraints.

Its four priorities are driven by the ambition to ensure everyone is included in the city's success and will have a home where they can achieve their aspirations, regardless of their background or where they grew up. Tackling poverty and inequality is at the heart of everything we do.



The Council's Corporate Plan and the Wellbeing Plan translate the above priorities into deliverable organisational objectives, setting out the steps to be taken and how performance will be measured.

The plans set out how we will continue to invest in and improve our schools, build more affordable housing, tackle homelessness, and protect the city's most vulnerable people. The Council has bold plans for tackling congestion and air pollution, improving recycling rates and keeping our streets clean, together with a series of commitments which will help change the lives of people in the city for the better. Further detail is available on the Council's website.

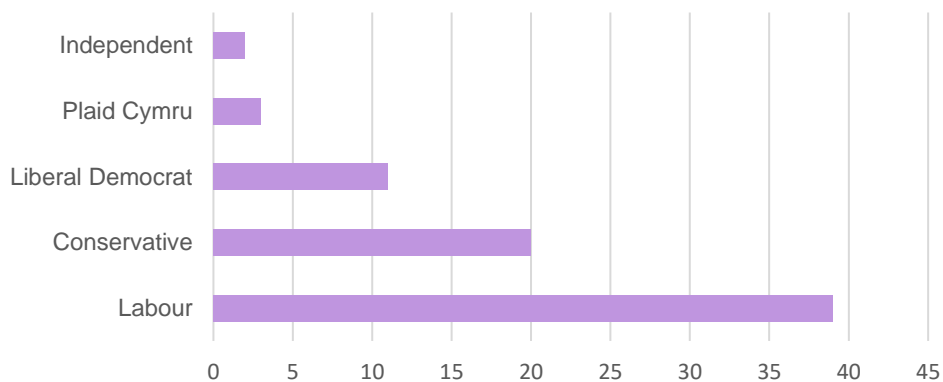
Our Services and the way we work

The Council provides over 700 services, supporting local communities and improving the lives of local people, some of which are shown below.

Planning, Transport and Environment <ul style="list-style-type: none"> · Bereavement and registration · Highways infrastructure and street cleansing · Transport and civil parking enforcement · Waste collection, recycling, treatment, disposal and education · Schools transport 	Economic Development <ul style="list-style-type: none"> · Business and investment · Regeneration and major projects · Corporate Landlord · Culture, venues, and tourism · Leisure, parks and sport
People and Communities - Housing and Customer Services <ul style="list-style-type: none"> · Community hubs and libraries · Customer facing services e.g. preventative and 'Into work' services · Independent living and community alarm · Adult and community learning · Housing Revenue Account – Council dwellings management 	People and Communities - Social Services <ul style="list-style-type: none"> · Adult learning disabilities and mental health · Youth offending · Children's safeguarding, early help, fostering and residential services · Support for older people and those with physical disabilities · Day, residential and nursing care
Education and Lifelong Learning <ul style="list-style-type: none"> · Nursery, primary, secondary and special schools · Youth and community education and community learning · Achievement and inclusion · Schools catering 	Resources <ul style="list-style-type: none"> · Finance, Human resources · Commissioning and procurement · ICT, customer and digital services · Performance and partnerships
Corporate Management <ul style="list-style-type: none"> · Precepts, levies and contributions · Corporate initiatives 	Resources - Governance and Legal Services <ul style="list-style-type: none"> · Democratic, electoral, and legal services · Scrutiny, member and bilingual services

The Council has 75 elected Councillors who represent the people of Cardiff and set the overall policy and budget framework.

Cardiff Councillors - Political Party Representation



A **constitution** sets out how the Council operates, how decisions are made and the procedures to be followed to ensure decisions are efficient, transparent and accountable to local people.

Council selects a **Lord Mayor** annually to perform a civic role, promote the city and chair Council meetings. They also appoint a **leader** of the Council who appoints **Cabinet Members**, each with responsibility for a specific portfolio of services.

The role of Cabinet is to:

- be responsible for most major decisions
- provide leadership
- propose the budget framework and subsequent budget.

Scrutiny Committees support the work of the Cabinet and the Council by:

- monitoring decisions of the Cabinet
- allowing all Councillors, citizens and stakeholders to have a say in matters concerning the Council
- producing reports and recommendations to support the development of policies and decisions
- having the ability to review a decision which has been made but not yet implemented.

Regulatory and other committees support delivery of Council services. Council has given Audit Committee the responsibility for the review of the Financial Statements for the Council.

The Council's **Management Team** is led by Chief Executive Paul Orders and includes Corporate Directors, Directors and Assistant Directors, including the statutory officers (Monitoring Officer and Section 151 Officer). They are responsible for:

- providing impartial advice on policy and implementing decisions of the Cabinet and Council and
- delivery of services and performance.

Our **Workforce** comprises 5344 'full time equivalent' employees as well as 6600 schools based employees.

Our Performance 2018/19

Cardiff is a great place to grow up

95% of primary school children and **82%** of secondary school children secured their first choice schools (90% and 76% in 2017-18).
56% of primary schools and **50%** of secondary schools were categorised as green (53% and 38% in 2017/18).
90.2% of pupils achieved core subjects at the end of KS2 academic year (Wales average 89.5%).
60.4% of pupils achieved 5 GCSEs grades A* to C at the end of KS4 compared (Wales average 53.1%).
50% of children with a care and support plan were supported to remain living with their family.



Cardiff is a great place to grow old

8,351 people were helped to remain independent through alternative solutions provided by Independent Living (275 increase on 2017-18 figure of 6,551).



86% of people who feel reconnected into their community through intervention from day opportunities.

Supporting people out of poverty

The Council has supported **88** employers across Cardiff to become accredited Living Wage Employers, this has increased from 62 organisations in 2017-18.

181 apprenticeships and traineeships were created by the Council (47% increase on 2017-18 figure of 123).

45,497 people accessed 'Into Work' advice to help citizens to develop skills and find employment opportunities (42,371 in 2017-18).



Safe, Confident and Empowered Communities

2,840,127 visits to Cardiff's various sports and leisure sites across the City (2,714,916 in 2017-18).

3,400,748 citizens visited our libraries and hubs (3,344,686 in 2017-18).



608 Council Employees have participated in Welsh language courses and awareness training.



A Capital City that Works for Wales

2,070 new and safeguarded jobs supported across the City.

22.170m visitors (22.050m in 2017-18).

2.065m staying visitors (2.062m in 2017-18).



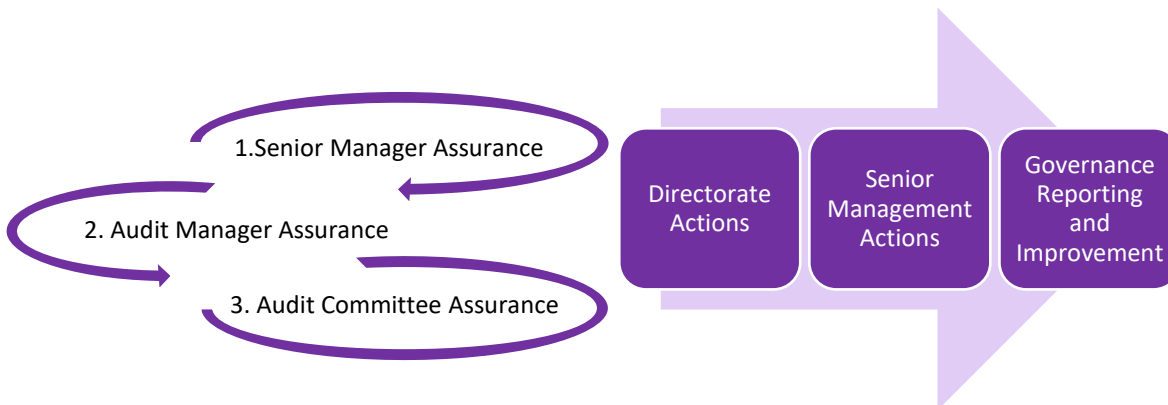
<p>966 children and adults in need of care and support using the Direct Payments Scheme, this has increased from 908 in 2017-18.</p>	
<p>Cardiff Grows in a Resilient Way</p> <p>48.1% of people travelled to work by sustainable methods compared to 45.8% of people in 2017-18 13.7% of people in Cardiff used cycling as a mode of transport to travel to work (11.4% in 2017-18).</p>  <p>3.50% of principal A roads were in overall poor condition, this has improved from 3.70% in 2017-18.</p> <p>99.33% of reported fly tipping incidents were cleared in 5 working days.</p> <p>£46 million was invested on improving or building new schools.</p>	<p>Modernising and integrating Our Public Services</p> <p>Since its launch the Cardiff App has been downloaded 11,740 times, across both android and iOS devices.</p> <p>This has seen an increase to 946,019 customers choosing to use digital channels to contact the Council on areas such as Council Tax, housing, planning and waste collection. (784,467 in 2017-18).</p>  <p>The Council continues to see an increase in the number of customers choosing to interact via social media channels, with approx. 112,000 followers.</p>

Our Governance, Risks and Financial Outlook

We prepare an Annual Governance Statement (AGS) each year, to disclose the findings of our annual review of the Council's governance. The AGS includes an Action Plan for any significant governance issues identified as part of the review, to be progressed by Senior Management. It is approved by Council in parallel with the Financial Statements and is used for governance reporting and improvement. This is available on the Council's website at the following address.

Link to be inserted following Council approval in September 2019

In preparing the AGS, the Council has adopted the 'Delivering Good Governance in Local Government' framework, developed by CIPFA and the Society of Local Authority Chief Executives. It comprises the systems, processes, culture and values through which the Council is directed and controlled and its engagement and work with the community. The AGS is built through core disclosures from Senior Management, and the independent opinions of the Internal Audit Manager and the Audit Committee.

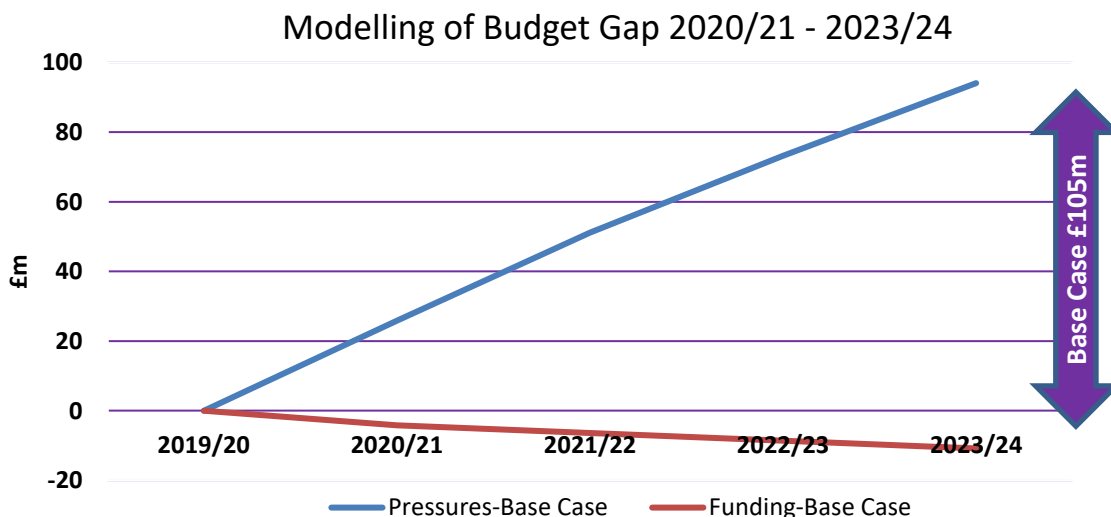


The Council's risk management regime supports the identification, assessment, reporting and management of risks in directorate, corporate, programme and project activities. It involves quarterly risk assessments to support the timely identification and escalation of the Council's most critical risks to Senior Management Team for ownership, review and reporting.

Over the course of the year, many risks have been progressed and appropriately mitigated through the above mechanisms. At 31 March 2019, there are eleven corporate risks at a 'red' residual risk status i.e. major or significant consequence is likely without further mitigation. These are shown below and are being actively managed

City Security	<ul style="list-style-type: none"> Major security-related incident in the city as a result of international or domestic terrorism
Coastal Erosion	<ul style="list-style-type: none"> Breach of current defences resulting in widespread flooding
Air Quality & Clean Air	<ul style="list-style-type: none"> Failure to address the impact of poor air quality on the health of our communities
Welfare Reform	<ul style="list-style-type: none"> Failure to meet its statutory obligations placed upon it by the Welfare Reform including Universal Credit, Benefit Cap reductions, size restrictions for social tenants, removal of automatic entitlement to housing cost for under 21s and changes to funding for supported housing
Schools Delegated Budgets	<ul style="list-style-type: none"> Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans
Brexit	<ul style="list-style-type: none"> 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
Waste Management	<ul style="list-style-type: none"> Failure to meet statutory recycling targets and deliver cost effective compliance with waste management legislation
Building Equipment Maintenance	<ul style="list-style-type: none"> Ineffective application of statutory equipment maintenance responsibilities for council buildings
ICT Platforms Unsuitable/Outdated	<ul style="list-style-type: none"> Risk that 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
Increase in Demand (Children's Services)	<ul style="list-style-type: none"> Failure to effectively manage demand resulting in an increase in the number of looked after children, and the service and financial pressures this presents
Cyber Security	<ul style="list-style-type: none"> Management - risk of an inability to assess how and when systems are being used, leading to an ineffective response to deliberate attacks or accidental user activity Corporate cloud security - risk of weaknesses in externally hosted services

The 2019/20 budget report agreed by Council in February 2019 addressed a budget gap of £32.4 million including £19.2 million of savings. The budget gap between 2020/21 and 2023/24 is estimated to be £105 million.



As in previous years, the key reasons for the budget gap are that Welsh Government funding is anticipated to reduce over the medium term by 0.5% p.a, whilst costs are expected to rise significantly. These are due to factors such as employee costs, price inflation, paying for capital projects, demographic pressures for adults and children as well as increased school pupil numbers and needs.

To ensure the budget strategy approach is aligned to the delivery of corporate priorities a Capital Ambition Delivery Programme is in place and composed of two discrete components:

- Modernisation: Transformation of corporate systems and processes that support service delivery and
- Resilient Services: Transformation of front-line services.

A range of options will be considered in order to address the gap including income generation, collaboration, review of business processes, review of expenditure, increases in Council Tax, strength based practice and preventing escalation of need for services. Determining and meeting savings targets will be increasingly problematic with increased levels of risk to the delivery of those targets. This will need to be managed and performance monitored closely.

Significant capital expenditure investment is proposed in areas such as: new schools; to address the condition of existing buildings across the whole estate; to develop new council housing; to address air quality; economic regeneration and for sustainable travel schemes such as cycling. The five year investment plan will require an increase in borrowing and a new approach to generating a significantly enhanced level of asset disposals in order to help pay for investment and minimise the need for investment in the first place.

Further details of the Council's budget are included in the Budget Report 2019/20, which is available on the Council's website at the following address.

<http://cardiff.moderngov.co.uk/documents/s27709/Council%2028%20Feb%202019%20Budget%20FINAL.pdf>

Financial Performance 2018/19

Along with the rest of local government, the Council has faced significant challenges in funding its services. The 2018/19 budget was set against this backdrop of financial uncertainty and increasing demand for our services. During the year, the Council developed a Medium Term Financial Plan based on a rolling four-year period from 2018/19 to 2021/22, ensuring that resources are aligned to outcomes in the Corporate Strategy.

Council approved the 2018/19 budget in February 2018, which addressed a budget shortfall of £25.248 million. This was bridged by a combination of savings, use of earmarked reserves, a cap on schools non demographic growth and a 5.0% Council Tax increase.

Revenue Expenditure and Funding

Revenue expenditure covers the cost of the Council's day-to-day operations and contributions to and from reserves.

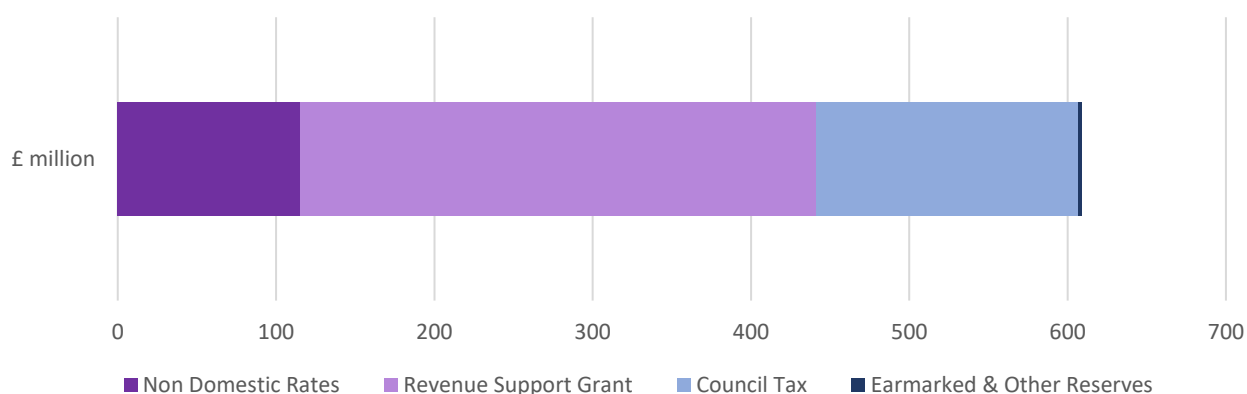
The final revenue outturn shows expenditure within the overall 2018/19 net revenue budget of £609.913 million. Favourable variances within the summary Revenue Account enabled contributions to be made to a number of strategic earmarked reserves that will support financial resilience of the Council in the medium term.

Directorate	Net Expenditure Budget £000	Net Expenditure Outturn £000	Variance (Under)/Over £000
Corporate Management	23,191	23,638	447
Economic Development	6,648	7,141	493
Education & Lifelong Learning	255,376	256,308	932
People & Communities - Housing & Communities	44,394	43,860	(534)
People & Communities - Social Services	168,232	171,110	2,878
Planning, Transport & Environment	44,995	46,260	1,265
Resources - Governance & Legal Services	5,367	5,612	245
Resources	20,374	20,001	(373)
Directorate Outturn Subtotal	568,577	573,930	5,353
Capital Financing	35,236	34,844	(392)
General Contingency	3,000	0	(3,000)
Summary Revenue Account inc. Council Tax collection and NDR refunds and Discretionary Relief	2,100	139	(1,961)
Total Council Outturn	608,913	608,913	0

The budget monitoring process identified financial pressures in a number of directorates, notably Social Services, Planning Transport & Environment and Education & Lifelong Learning. This reflected a range of factors including increased demographic and cost pressures, shortfalls in income and the failure to fully achieve the savings targets set as part of the 2018/19 budget.

This is reflected in the overall directorate outturn position showing a Directorate overspend of £5.353 million. This was managed by the release of the £3 million general contingency held to reflect the quantum risk and planning status of proposed savings as well as savings from other areas including Council Tax collection, NDR refunds on Council properties, Capital Financing and the Summary Revenue Account.

How Revenue budget was paid for



- Non-Domestic Rates (NDR) are collected by the Council for Welsh Government based on the value of buildings used in business or for non-domestic purposes and a rate is set annually. The net NDR collectable by Cardiff for 2018/19 totalled £194.593 million of which Cardiff received £115.383 million after redistribution by Welsh Government. The in-year collection rate was 96.8%.
- Revenue Support Grant of £325.564 million was received from Welsh Government.
- Council Tax collected by the Council includes precepts for the police and community councils and where applicable was passed onto the relevant bodies. Council Tax income retained by the

Council of £166.417 million funds just over a quarter of the Council's net expenditure. The in-year collection rate was 97.4%.

Housing Revenue Account (HRA)

The Housing Revenue Account is a ring-fenced account shown within the Housing and Communities directorate. It includes income from rents and expenditure on managing the housing stock and related services.

- The council has 13,466 dwellings at March 2019.
- The average weekly net rent for 2018/19 was £101.68.
- Income including rent and charges for services totalled £77.653 million.
- Revenue expenditure included £22.434 million on repairs and maintenance, £24.499 million on supervision and management and £32.640 million on interest, provision for the repayment of debt and towards capital expenditure.

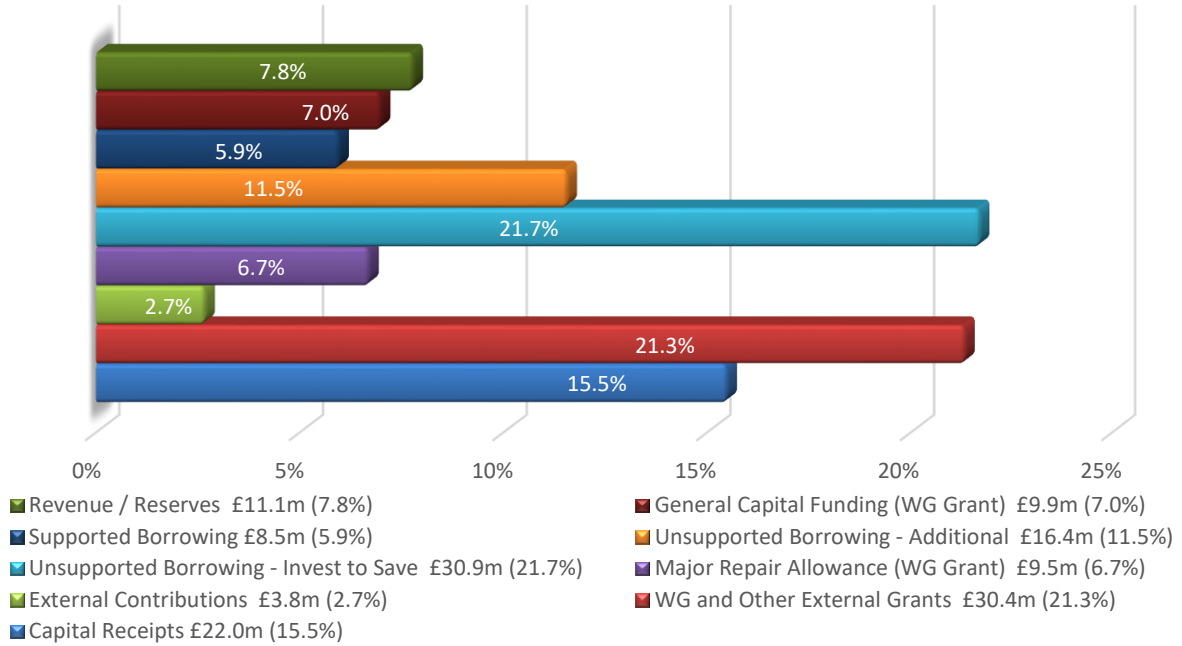
Capital Expenditure and Funding by the Council

Capital investment forms a large part of our spending. The Council has an ambitious capital programme to deliver projects that are fundamental to the Council achieving its aspirations to re-shape how we deliver our services as well as helping to unlock revenue savings and efficiencies to secure our non-financial stability. Capital spending during the year totalled £142.5 million

Schemes	Detail	£m
Housing, Neighbourhood Regeneration	Disabled adaptation grants, allowing people to live independently in their homes; environmental and shop front improvements and a comprehensive regeneration scheme for Maelfa Centre in Llanedeyrn including creation of new shop units; completion of St Mellons Hub.	8.4
Education & Lifelong Learning	Completion of the Band A Investment Programme including a new High school in the West and three new primary schools; extensions of facilities at a number of schools; investment in the condition and suitability of school buildings and development costs for the start of the Band B projects.	46.6
Highways & Transportation	Road and footpath reconstruction and resurfacing; Greener Grangetown rainwater management scheme; public transport and road safety improvements; cycling strategy implementation and expansion of cycle hire scheme; investment in safe routes in communities; design works for city centre air quality measures.	17.6
Leisure Facilities & Parks	Investment in leisure sites retained by the Council as well as sites operated by GLL; athletics track and parks play equipment replacement; outdoor sports facilities and infrastructure improvements.	4.0
Property, Economic Development and Major Projects	Public realm improvements at Central Square; acquisition of land at Britannia Park, internationals sports village and as part of the investment property strategy; condition improvements of operational buildings; town centre loan initiatives.	17.9
City Deal	Contribution towards first project of Cardiff Capital Region City Deal – Semiconductor facility	2.9
Other	Modernising ICT to improve business process; Energy efficiency in buildings; harbour asset renewal; Waste Recycling and collection improvements; acquisition of previously leased road salt gritters and waste collection vehicles; day centre improvements.	6.2
Public Housing	Improvement of current housing stock, estate regeneration and creation of new Council housing	38.9

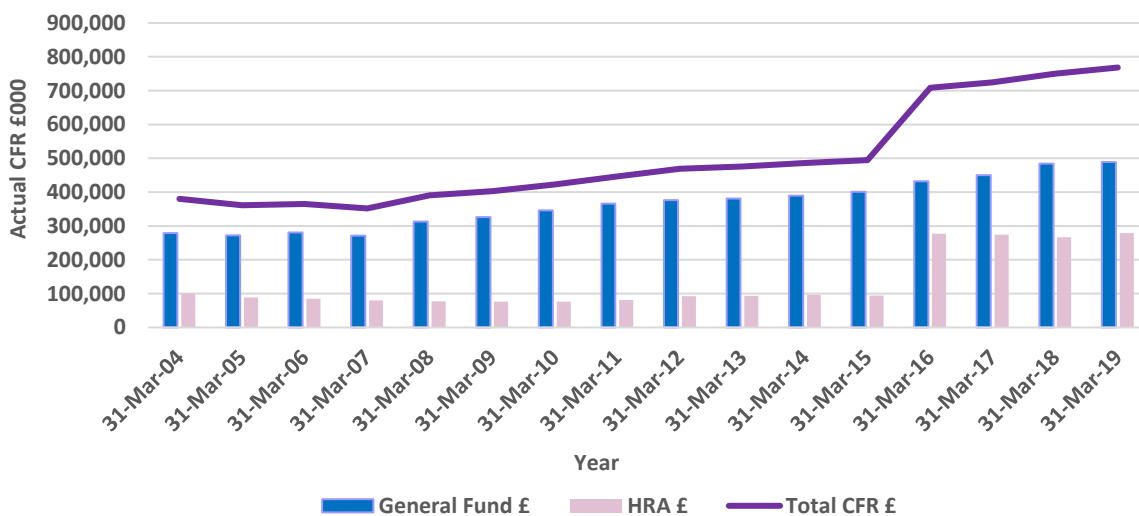
The Council pays for its capital expenditure from a number of sources. This includes borrowing money. Borrowing and any associated interest costs must ultimately be repaid in a prudent way from existing and future income. The Capital Programme was financed from a combination of borrowing (£55.8 million) and from grants, contributions reserves and Sale of assets (£86.7 million). An analysis of the sources of capital funding is shown in the chart below:

Funding of Capital Expenditure



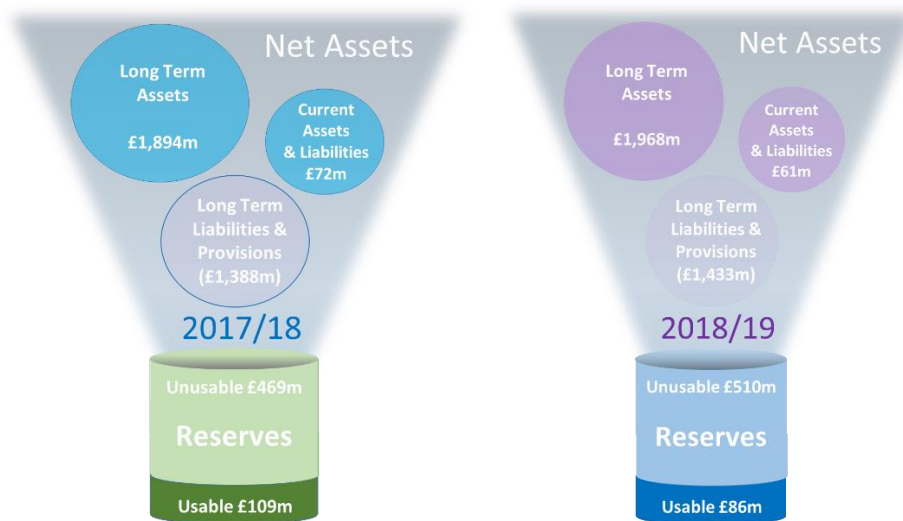
Capital incurred historically by borrowing but yet to be paid for from future revenue or capital income from the General Fund and HRA is termed the Capital Financing Requirement (CFR). Each year, a prudent amount is charged to our revenue budgets to reduce this. In 2015/16 additional borrowing was taken by the Council and paid to HM Treasury to exit the HRA subsidy system. The CFR and associated financing costs, interest and repayment, of capital investment continues to rise as a percentage of controllable budget.

Capital Financing Requirement Trend



Financial Position 2018/19

The balance sheet of the Council is summarised below and shows its assets and liabilities.



Property, Plant, Equipment and Other Non-Current Assets

The valuation of assets involves a number of assumptions; however, movements in asset valuations as well as any accounting charges such as depreciation have no impact on the council tax or rent payable, as they are required to be reversed from unusable reserves. Note 18 details movements in assets, capital expenditure and its financing.

- Capital receipts from the disposal of property assets and similar income was £9.232 million including the sale of land at Howard Gardens and Council dwellings sold under right to buy regulations.
- As part of the Council's rolling programme, revaluations took place during the year of Council dwellings, operational assets (excluding schools), investment properties and surplus assets.

Financial Assets and Liabilities

Treasury Investment and borrowing activities were undertaken in accordance with regulatory requirements and the Council's Treasury Management Strategy for 2018/19. Investments for treasury management purposes and cash is £89.194 million at 31 March 2019 and is primarily represented by temporary cash balances deposited with financial institutions. The average rate of interest earned for the period was 0.76%.

The Council borrows money to manage its daily cash flows and to pay for capital expenditure. In accordance with the Treasury Management Strategy, borrowing to meet the capital financing requirement continues to be deferred by using temporary cash balances. Borrowing is undertaken when deemed necessary to mitigate against the risk of future interest rates rising unexpectedly.

The average interest rate paid on the Council's borrowing reduced from 4.64% to 4.53% at 31 March 2019. Interest payable on borrowing was £32.176 million, of which £11.716 million was payable by the Housing Revenue Account.

Note 19 of the accounts provides further information on the Council's financial assets and liabilities and the nature and extent of risks involved

Provisions

The Council sets aside money for liabilities or losses which are likely to be incurred, but where the exact amount and timing of payment may be uncertain. This includes insurance claims received as well as for

landfill aftercare. During 2018/19, total provisions increased by £1.783 million to £30.857 million. Details of the movement of individual provisions are shown in note 25 of the accounts.

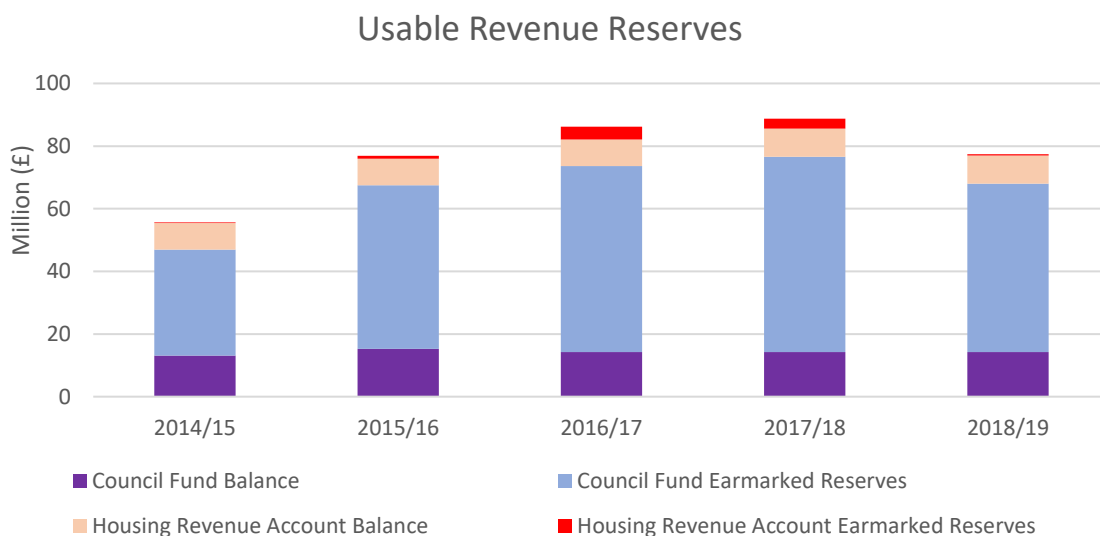
Pensions Liabilities

The Council is a member of the Cardiff and Vale of Glamorgan Pension Fund, with details of its participation in pension schemes shown in note 17 of the accounts.

- The cost to the Council during the year for pension liabilities is £47.890 million.
- The Council's future liability in respect of pension benefits payable, compared to assets held, is £648.992 million at 31 March 2019 based on the latest actuarial assumptions which can fluctuate between years. This has increased by £5.710 million from 2017/18.
- The fund is revalued every three years, with the fund's assets at 31 March 2017 deemed to cover 85% of future liabilities. A 20 year recovery plan is in place in order to meet the shortfall.

Balances and Reserves

Balances and Reserves are sums of money put aside for specific policy purposes or for general contingencies and cash flow management. Their use, creation and assessment of sufficiency also considers risks to financial resilience. The level of usable reserves as a percentage of revenue expenditure continues to be one of the lowest in Wales. Earmarked reserves are detailed in note 2 of the accounts whilst other usable and unusable reserves are shown in notes 28 and 29.



The Financial Statements

The Statement of Accounts are set out in this document, accompanied by a Statement of Responsibilities for the financial Statements and the Audit Report.

The core statements are:

- *The Comprehensive Income and Expenditure Statement* records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by directorate. The bottom half of the statement deals with corporate transactions and funding.
- *The Movement in Reserves Statement* is a summary of the changes to our reserves over the course of the year. Reserves are divided into 'useable', which can be invested in capital projects or service improvements and 'unusable', which must be set aside for specific purposes.

- *The Balance Sheet* is a 'snap shot' of the Council's assets, liabilities, cash balances and reserves at the year-end date.
- *The Cash Flow Statement* shows the reasons for changes in the council's cash balances during the year and whether that change is due to operating activities, new investment or financing activities.

The supplementary statements are:

- *The Housing Revenue Account* separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.
- *Group Accounts* combine the Council's own financial statements with its material interests in subsidiaries, associates and/or joint ventures, in this Council's case, Cardiff Bus.
- *Other statements for regulatory purposes* include Trust Funds, Cardiff Port Health Authority and Cardiff Harbour Authority.

Conclusion

Despite in year pressures, the Council was able to remain within its net revenue budget set for 2018/19. Demand for all council services continues to increase and the continued negative future funding outlook for all local authorities remains a significant risk. The Council has set an ambitious agenda to invest and improve what we do for residents which will require difficult choices to be made and a focus on key priorities. Detailed financial planning assumptions will continue to be required to support a fully informed Medium Term Financial Plan that ensures financial resilience.

I am grateful for the work of my finance team in supporting directorates and in preparing these financial statements that facilitate transparency of our financial performance and position during 2018/19. This is a requirement that will itself be more challenging in future years due to both additional accounting and reporting as well as earlier preparation of the accounts and consequential audit requirements.

The statements will be available to stakeholders and residents to review during the public inspection period as well as undergoing further review by Audit Committee and independent audit, before approval by Council in September.

Christopher Lee
Corporate Director Resources and Section 151 Officer

Statement of Responsibilities for the Financial Statements



Statement of Responsibilities for the Financial Statements and Corporate Director Resources Certificate

The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In 2018/19, that officer was Christopher Lee, Corporate Director Resources who holds the statutory post of Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

Councillor Daniel De'Ath
Lord Mayor

Date:

The Corporate Director Resources responsibilities

The Corporate Director Resources is responsible for the preparation of the Council's financial statements in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

In preparing these financial statements, the Corporate Director Resources has:

- selected suitable accounting policies and then applied them consistently, except where policy changes have been noted in these accounts;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Corporate Director Resources has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Corporate Director Resources Certificate

The financial statements for the Council give a true and fair view of its income and expenditure for the financial year 2018/19 and financial position of the Council at 31 March 2019.

Christopher Lee
Corporate Director Resources

Date:

Audit Report

Audit Report of the Auditor General to the Members of the County Council of the City and County of Cardiff

Opinion

I have audited the financial statements of:

- The County Council of the City and County of Cardiff; and
- The County Council of the City and County of Cardiff Group

for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

The County Council of the City and County of Cardiff's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

The County Council of the City and County of Cardiff's Group financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff's and the County Council of the City and County of Cardiff's Group as at 31 March 2019 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's or group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

Audit Report

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the council and the group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the County Council of the City and County of Cardiff in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 18, the responsible financial officer is responsible for the preparation of the statement of accounts, including the County Council of the City and County of Cardiff's Group financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the council's and group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Audit Report

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
Date:

24 Cathedral Road
Cardiff
CF11 9LJ

Accounting Policies, Critical Judgements and Assumptions



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

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:

- 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 unquoted 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 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 or 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.

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. 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:

Accounting Policies, Critical Judgements and Assumptions

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.
Assets under Construction	Depreciated Historical Cost	n/a	n/a	n/a
Community Assets	Depreciated Historical Cost	n/a	n/a	n/a
Council Dwellings	Existing Use Value for Social Housing	2018/19 2021/22	Council valuation team	Land: n/a Buildings: 50 years
Other Operational Land & Buildings	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
School Assets	Detailed Depreciated Replacement Cost (Modern Equivalent Asset)	2019/20 2022/23	n/a	Land: n/a Buildings: 3-65 years
Surplus Assets	Fair Value	2018/19 2019/20 2020/21	Council valuation team	n/a
Vehicles, Plant, Furniture & Equipment	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.

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.

Critical judgements in applying accounting policies

Accounting policies are only applied to material Council transactions. In applying policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government, however the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. Lower levels of funding require prioritisation choices to be made and significant investment is required in property assets, that should be retained, and highway infrastructure in order to maintain condition and usefulness in service delivery.
- In 2014/15, CIPFA clarified the requirements for recognising schools property on Council Balance sheets. This highlighted the need for there to be 'control' of assets, with a key criteria for recognition being legal ownership. The Council includes Voluntary Aided, Voluntary Controlled and Foundation schools in its balance sheet only if it owns the land and can accordingly direct the use of the assets. In most cases these are owned by religious bodies, the trustees or governing body of the school.

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. The fair value is deemed to be Net Worth in accordance with the company's latest accounts.	Any change in the fair value of Cardiff City Transport Services Ltd has no impact on the level of Council Tax as changes are reflected by a corresponding amendment in the Financial Instrument Adjustment Reserve.

Accounting Policies, Critical Judgements and Assumptions

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Provisions	<p>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.</p>	<p>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</p>
Arrears	<p>At 31 March 2019, 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 expected credit losses is assumed, which may, or may not be sufficient.</p>	<p>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.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, inflation, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. This also includes market volatility for example, as a result of Brexit. Professional actuaries are engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assumptions are difficult to measure as they interact in different ways.</p>

Core Financial Statements and Notes to the Financial Statements



Comprehensive Income and Expenditure

This statement records all of the Council's income and expenditure throughout the year and consequently shows the accounting cost of providing services during the year in line with generally accepted accounting practices. The Expenditure and Funding Analysis (Note 4) demonstrates how the funding available to the Council has been used to provide services in comparison with those resources consumed or earned under Generally Accepted Accounting Practices (GAAP).

2017/18				Note	2018/19		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
13,455	(3,164)	10,291	Corporate Management		9,029	(941)	8,088
71,450	(37,654)	33,796	Economic Development		80,336	(40,445)	39,891
375,125	(90,253)	284,872	Education & Lifelong Learning		366,857	(92,893)	273,964
8,187	(1,690)	6,497	Governance & Legal Services		6,939	(1,067)	5,872
9,134	(6,484)	2,650	Harbour Authority		9,071	(6,160)	2,911
53,836	(72,896)	(19,060)	Housing Revenue Account		41,351	(76,381)	(35,030)
248,468	(200,324)	48,144	Housing and Communities		240,878	(194,487)	46,391
113,495	(56,235)	57,260	Planning , Transport and Environment		139,208	(52,783)	86,425
37,300	(14,854)	22,446	Resources		39,103	(15,278)	23,825
184,114	(26,541)	157,573	Social Services		233,820	(60,829)	172,991
2,701	(5,813)	(3,112)	Summary Revenue Account		3,688	(5,514)	(1,826)
1,117,265	(515,908)	601,357	Net Cost of Services		1,170,280	(546,778)	623,502
31,216	0	31,216	Police and Crime Commissioner for South Wales	5	33,499	0	33,499
310	0	310	Community Council Precepts	5	367	0	367
17,115	0	17,115	Levies & Contributions	5	17,439	0	17,439
29,135	(27,146)	1,989	(Gain)/loss on sale of non-current assets		9,106	(9,590)	(484)
77,776	(27,146)	50,630	Other Operating Expenditure		60,411	(9,590)	50,821
31,781	0	31,781	Interest Payable on debt	19	32,176	0	32,176
14,690	0	14,690	Interest on net defined benefit liability/(asset)*	17	16,098	(11)	16,087
0	(700)	(700)	Interest & Investment Income		0	(972)	(972)
2,502	(38)	2,464	Change in fair value of Investment Properties		5,066	(5,655)	(589)
48,973	(738)	48,235	Financing and Investment Income & Expenditure		53,340	(6,638)	46,702
0	(50,734)	(50,734)	Recognised Capital Grants & Contributions	30	0	(49,105)	(49,105)
0	(312,736)	(312,736)	Revenue Support Grant	30	0	(325,564)	(325,564)
0	(115,480)	(115,480)	Non-Domestic Rates	8	0	(115,383)	(115,383)

Comprehensive Income and Expenditure

2,070	(191,095)	(189,025)	Council Tax Income	7	2,282	(202,564)	(200,282)
0	0	0	Corporation Tax (CCRCD)		131	0	131
2,070	(670,045)	(667,975)	Taxation & Non-Specific Grant Income		2,413	(692,616)	(690,203)
		32,247	(Surplus)/Deficit on Provision of Services				30,822
		(2,262)	Revaluation Gains	29			(59,391)
		2,128	Revaluation Losses	29			21,826
		361	Impairment losses on non-current assets charged to the Revaluation Reserve	29			2,399
		(305)	(Surplus)/Deficit on Financial Instrument Revaluation Reserve	29			3,546
		33,581	Actuarial (gains)/losses on pension assets/liabilities*	17			(21,551)
		33,503	Other Comprehensive Income & Expenditure				(53,171)
		65,750	Total Comprehensive Income & Expenditure				(22,349)

*The figures in note 17 are different as they do not contain the share of the joint committees which are included in these figures

Movement in Reserves

The statement is split into both Usable and Unusable Reserves. Usable Reserves are those that the Council can use to provide services such as the General Fund and Capital Receipts Reserve whereas Unusable Reserves such as the Pension Fund and Capital Adjustment Account cannot be used.

	Council Fund Balance £000	Council Fund Earmarked Reserves £000	HRA Balance £000	HRA Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2017 carried forward	14,255	59,391	8,438	4,086	7,205	93,375	550,662	644,037
<u>Movement in Reserves during 2017/18</u>								
Surplus or (deficit) on the provision of Services	(53,869)	0	21,622	0	0	(32,247)	0	(32,247)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(33,503)	(33,503)
Total Comprehensive Income and Expenditure	(53,869)	0	21,622	0	0	(32,247)	(33,503)	(65,750)
Adjustments between accounting basis & funding basis under regulations (note 1)	56,321	0	(21,940)	0	14,115	48,496	(48,496)	0
Adjustment for CCRC final accounts	466	0	0	0	0	466	0	466
Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves	2,918	0	(318)	0	14,115	16,715	(81,999)	(65,284)
Transfers to/(from) Earmarked Reserves	(2,452)	2,452	863	(863)	0	0	0	0
Adjustment for CCRC final accounts	(466)	466	0	0	0	0	(5,677)	(5,677)
Increase/(Decrease) in 2017/18	0	2,918	545	(863)	14,115	16,715	(87,676)	(70,961)
Balance at 31 March 2018 carried forward	14,255	62,309	8,983	3,223	21,320	110,090	462,986	573,076
<u>Movement in Reserves during 2018/19</u>								
Surplus or (deficit) on the provision of Services	(67,749)	0	36,927	0	0	(30,822)	0	(30,822)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	53,171	53,171
Total Comprehensive Income and Expenditure	(67,749)	0	36,927	0	0	(30,822)	53,171	22,349
Adjustments between accounting basis & funding basis under regulations (note 1)	59,143	0	(39,655)	0	(12,832)	6,656	(6,656)	0
Adjustment for CCRC final accounts	11	0	0	0	0	11	0	11
Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves	(8,595)	0	(2,728)	0	(12,832)	(24,155)	46,515	22,360
Transfers to/(from) Earmarked Reserves (note 2)	8,606	(8,606)	2,728	(2,728)	0	0	0	0
Adjustment for CCRC final accounts	(11)	11	0	0	0	0	0	0
Increase/(Decrease) in 2018/19	0	(8,595)	0	(2,728)	(12,832)	(24,155)	46,515	22,360
Balance at 31 March 2019 carried forward	14,255	53,714	8,983	495	8,488	85,935	509,501	595,436

Balance Sheet

This statement is comprised of two balancing sections - the net assets of the Council and the total reserves held.

*31 March 2018 £000		Note	31 March 2019 £000
1,711,579	Property, Plant & Equipment	18	1,772,956
54,099	Heritage Assets	18	54,152
103,820	Investment Properties	18	118,003
2,701	Intangible assets including AUC	18	2,222
13,996	Long-term Investments	19	10,574
8,087	Long-term Debtors	19	9,783
1,894,282	Total Long-Term Assets		1,967,690
34,033	Short-term Investments	19	69,032
6,375	Held for Sale assets	20	2,570
2,129	Inventories		2,266
86,927	Short-term Debtors	21	96,511
54,057	Cash and Cash Equivalents	22	20,162
183,521	Total Current Assets		190,541
(13,440)	Short-term Borrowing	19	(13,306)
(87,928)	Short-term Creditors	23	(106,671)
(1,884)	Pension Strain	26	(1,769)
(5,005)	Provisions	25	(6,100)
(3,195)	Deferred Liabilities	27	(1,648)
(111,452)	Total Current Liabilities		(129,494)
(688,713)	Long-term Borrowing	19	(717,700)
(24,412)	Provisions	25	(24,757)
(12,006)	Deferred Liabilities	27	(11,700)
(9,961)	Capital Contributions Receipts in Advance	30	(14,485)
(6,484)	Revenue Grants Receipts in Advance	30	(12,412)
(412)	Capital Grants Receipts in Advance	30	(695)
(2,794)	Pension Strain	26	(2,560)
(643,282)	Net Pensions Liability**	17	(648,992)
(1,388,064)	Total Long-Term Liabilities		(1,433,301)
578,287	NET ASSETS		595,436
	Financed by:		
14,255	Council Fund Balance		14,255
61,843	Council Fund Earmarked Reserves	2	53,714
8,983	Housing Revenue Account Balance		8,983
3,223	Housing Revenue Account Earmarked Reserves	2	495
21,320	Capital Receipts Reserve	28	8,488
109,624	Usable Reserves		85,935
255,582	Revaluation Reserve		283,664
852,323	Capital Adjustment Account		873,058
4,511	Deferred Capital Receipts		5,008
13,540	Financial Instruments Adjustment Reserve		9,994
(647,960)	Pensions Reserve		(653,322)
(9,333)	Accumulated Absences Adjustment Account		(8,901)
468,663	Unusable Reserves	29	509,501
578,287	TOTAL RESERVES		595,436

*The opening balance has not been amended for changes to Joint Committees after 30 September 2018

**The figures in note 17 are different as they do not contain the share of the joint committees which are included in these figures

Cash Flow

This statement shows how the Council generates and uses cash and cash equivalents by classifying the cash flows as arising from operating, investing and financing activities.

2017/18 £000		Note	2018/19 £000
32,247	Net (surplus) /deficit on the provision of services		30,822
(150,438)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	32	(113,212)
45,934	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	32	58,833
(72,257)	Net cash flows from operating activities		(23,557)
126,518	Purchase of property, plant and equipment, investment property and intangible assets		133,361
0	Purchase of short-term and long-term Investments		35,000
936	Other payments for investing activities		(4,808)
(24,818)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(9,233)
(45,621)	Capital Grants and Contributions		(64,132)
57,015	Net cash flows from investing activities		90,188
(25,004)	Cash receipts from short-term and long-term borrowing		(32,934)
(2,826)	Other receipts from financing activities		(4,396)
7,791	Repayments of short-term and long-term borrowing		4,594
(20,039)	Net cash flows from financing activities		(32,736)
(35,281)	Net (increase)/ decrease in cash and cash equivalents		33,895
18,776	Cash and cash equivalents at the beginning of the reporting period		54,057
54,057	Cash and cash equivalents at the end of the reporting period	22	20,162

Notes to the Financial Statements

1. Adjustments between Accounting Basis and Funding Basis under Regulation

This note details the adjustments that are made to the total comprehensive income and expenditure, recognised by the Council in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	Usable Reserves 2017/18			Movement in Unusable Reserves	Adjustments between Accounting and Funding Basis	Usable Reserves 2018/19			Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves			Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	£000		£000	£000	£000	£000
					Adjustments primarily involving the Capital Adjustment Account:				
					<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
	51,244	9,699	0	(60,943)	Charges for depreciation and impairment of Non-Current assets	48,987	10,560	0	(59,547)
	41,333	268	0	(41,601)	Revaluation losses of Non-Current Assets	61,601	(16,523)	0	(45,078)
	(6,864)	(12)	0	6,876	Reverse previous impairment on revaluation	(16,712)	(35)	0	16,747
	741	208	0	(949)	Amortisation of Intangible Assets	798	163	0	(961)
	2,464	0	0	(2,464)	Movements in the market value of Investment Properties	(566)	(23)	0	589
	0	0	0	0	Movement in the value of Held for Sale Assets	0	0	0	0
	(38,879)	(11,855)	0	50,734	Capital grants and contributions applied	(36,787)	(12,318)	0	49,105
	5,737	55	0	(5,792)	Revenue expenditure funded from capital under statute	3,630	0	0	(3,630)
	26,854	1,526	0	(28,380)	Amount of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	2,423	605	0	(3,028)
					<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
	(24,253)	(11,112)	0	35,365	Statutory provision for the financing of capital investment	(26,635)	(11,413)	0	38,048
	(2,774)	(7,633)	0	10,407	Capital expenditure charged against the Council Fund and HRA balances	(1,651)	(9,469)	0	11,120
	0	0	(10,682)	10,682	Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(22,037)	22,037
	0	51	(51)	0	Credit for disposal costs that qualify to be met from the resulting capital receipts	0	20	(20)	0
	45	0	0	(45)	Capital receipts set aside for the repayment of debt	0	0	11	(11)

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Notes to the Financial Statements

				Adjustments involving the Revaluation Reserve					
(20,079)	(4,010)	24,845	(756)	Amount of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement/Recoupment of Grant/Other	(1,758)	(1,876)	9,212	(5,578)	
				Adjustments involving the Pensions Reserve:					
62,972	4,038	0	(67,010)	Net retirement benefits as per IAS19	70,788	4,696	0	(75,484)	
(40,759)	(3,273)	0	44,032	Employer's contributions to the Pension Scheme	(44,255)	(3,983)	0	48,238	
(75)	119	0	(44)	Pension Strain Future Years	(148)	(199)	0	347	
				Adjustments involving the Accumulated Absences Adjustment Account					
1,090	(9)	0	(1,081)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(572)	140	0	432	
				Adjustments involving the Deferred Capital Receipts Reserve					
(4,500)	0	0	4,500	Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	2	(2)	
2,024	0	3	(2,027)	Transfers to the Deferred Capital Receipts Reserve in relation to gain/loss on disposal	0	0	0	0	
56,321	(21,940)	14,115	(48,496)	Total Adjustments	59,143	(39,655)	(12,832)	(6,656)	

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Notes to the Financial Statements

2. Earmarked Reserves

This note sets out the contributions to and from earmarked reserves during the year to fund current and future expenditure plans.

	Balance 31 March 2018 £000	Contributions		Balance 31 March 2019 £000
		From Revenue £000	To Revenue £000	
SCHOOLS BALANCES				
Schools Reserves	6,023	1,486	(2,647)	4,862
Cathays HS – Maintenance of Playing Field	3	0	0	3
Primary/Special Schools Repairs	362	130	0	492
	6,388	1,616	(2,647)	5,357
SCHOOLS RESERVES				
Out of School Childcare	68	20	(11)	77
Schools Catering	320	0	(142)	178
Schools Formula Funding	1,437	179	(1,039)	577
Schools Organisational Plan	3,448	6,662	(8,877)	1,233
	5,273	6,861	(10,069)	2,065
OTHER COUNCIL RESERVES				
Apprenticeships and Trainees	1,251	0	(369)	882
Bereavement Services	199	462	(253)	408
Building Control Regulations	502	0	(183)	319
Bute Park Match Funding	131	0	(44)	87
Capital Ambition Delivery	1,164	0	(523)	641
Cardiff Academy Training	129	0	(27)	102
Cardiff Capital Region City Deal	325	0	(110)	215
Cardiff Dogs Home Legacy	125	81	(35)	171
Cardiff Enterprise Zone	4,242	452	(1,016)	3,678
Central Market Works	340	0	(51)	289
Central Transport Service	301	0	(164)	137
City Wide Management and Initiatives	716	260	(612)	364
Community Based Services Transition	287	0	(53)	234
Community Initiatives	242	193	(77)	358
Connect to Cardiff Refurbishment	10	0	0	10
Corporate Events and Cultural Services	592	291	(159)	724
Corporate Landlord Function	441	0	(252)	189
Discretionary Rate Relief	100	0	0	100
Emergency Management, Safeguarding & Prevent	159	0	(20)	139
Employee Changes	7,655	0	(1,204)	6,451
Energy Conservation	234	0	(17)	217
Energy Market Volatility	586	0	0	586
Flatholm	0	27	0	27
Fraud Detection	140	0	(43)	97
Governance and Legal Services	355	0	(147)	208
Harbour Authority Project and Contingency Fund	382	2	(342)	42
Highways Section 278	566	0	(58)	508
Homelessness	1,594	474	(332)	1,736
Houses in Multiple Occupation Licensing	25	0	(13)	12
Housing Options Centre	803	0	(118)	685

Notes to the Financial Statements

Housing Support	1,108	0	(143)	965
ICT Holding Account	863	0	(118)	745
Inspectorate Support	283	0	(75)	208
Insurance	6,509	38	(877)	5,670
Integrated Partnership Strategy	31	0	(31)	0
Invest to Save	350	0	(89)	261
Joint Equipment Store	262	0	(41)	221
Libraries Book Fund	19	0	0	19
Local Lend a Hand Mortgage Scheme	222	0	(222)	0
Local Development Plan	99	0	0	99
Major Projects	935	0	(455)	480
Members Development	61	0	0	61
Municipal Election	337	96	(12)	421
Municipal Mutual Insurance	1,357	0	(571)	786
Non-Domestic Rates Due Diligence	60	0	0	60
Parking and Enforcement	701	7,692	(6,902)	1,491
Projects, Design and Development	137	0	(105)	32
Property Asset Management	363	81	(361)	83
Public Service Board Initiative	23	0	(23)	0
Registration Service Improvement	18	0	(18)	0
Rentsmart	675	0	(107)	568
Resources	1,788	260	(539)	1,509
Schools Catering and Kitchen Improvements	333	0	(308)	25
Scrutiny Development and Training	124	0	0	124
South East Wales Construction Framework	318	301	(63)	556
Shared Regulatory Service	98	106	(18)	186
Social Care Technology	709	0	0	709
Strategic Budget	4,032	2,594	(1,000)	5,626
Waste Management	877	300	(465)	712
Welfare Reform	2,692	1,003	(769)	2,926
Wales Interpretation and Translation Service	135	48	0	183
Workshops Asset Maintenance	140	0	(33)	107
Youth and Community Education	281	0	(103)	178
	49,536	14,761	(19,670)	44,627
SHARE OF JOINT COMMITTEE RESERVES				
Cardiff Capital Region City Deal (CCRCD)*	367	608	(10)	965
Central South Consortium	240	0	(81)	159
Glamorgan Archives	75	0	(19)	56
Prosiect Gwyrdd	69	0	(3)	66
Regional Adoption Service	0	5	0	5
Shared Regulatory Service	361	53	0	414
	1,112	666	(113)	1,665
Total Council Fund Reserves	62,309	23,904	(32,499)	53,714
HRA RESERVES				
Housing Development and Acquisition	1,719	0	(1,719)	0
Housing Repairs and Building Maintenance	1,016	0	(800)	216
Modernising ICT	238	0	(238)	0
Welfare Reform	250	238	(209)	279
Total HRA Reserves	3,223	238	(2,966)	495
TOTAL EARMARKED RESERVES	65,532	24,142	(35,465)	54,209

Notes to the Financial Statements

*This balance primarily arises due to the consolidation of CCRCO including its subsidiary CSC Foundry Ltd.

Details are given below for reserves in excess of £500,000:

Schools - Under Local Management of Schools regulations, schools are able to carry forward surpluses and deficits. These are committed to be spent on schools and are not available to the Council for general use. Details of individual school balances will be available from 30 September 2019 on the Council's Schools Budget Forum website. As well as individual school balances, a deficit balance of £796,000 offsets the total net balance (£1.296 million 2017/18). This amount represents a cumulative liability in respect of the Mutual Supply Fund which reimburses schools that have incurred supply costs that fall within certain parameters. This amount is in the process of being repaid via school budgets.

Schools Formula Funding - to meet unplanned and unforeseen expenditure incurred by or on behalf of the delegated schools' budgets.

Schools Organisational Plan - to manage the cash flow implications of the Schools Organisational Plan financial model.

Apprenticeships and Trainees – to support the Council's commitment to young people through funding for apprenticeships and trainees.

Capital Ambition Delivery – to fund additional advice/support for the delivery of Capital Ambition projects. Requests for funding are presented to the Investment Review Board for approval.

Cardiff Enterprise Zone - to fund expenditure on the Cardiff Enterprise Zone in future years.

Corporate Events and Cultural Services – to support feasibility studies and costs of major events and to offset future pressures arising from fluctuations in income within Venues and Cultural Services.

Employee Changes - to meet the costs associated with voluntary redundancy and other employee costs.

Energy Market Volatility - to provide funding for unexpected fluctuations in the cost of energy.

Highway Section 278 – to support highway investment.

Homelessness - to meet increase in homelessness pressures.

Housing Options Centre - to meet the capital financing costs of the Housing Options Centre.

Housing Support - to improve sustainability by maintaining people's independence in their own homes.

ICT Holding Account – to fund future business process improvement and ICT initiatives.

Insurance - to protect the Council from future potential insurance claims.

Municipal Mutual Insurance Scheme (MMI) – to protect the Council from a scheme that was triggered on 13 November 2012 and will involve the claw back of a percentage of previously paid claims, as well as a percentage of future claims.

Parking & Enforcement

This reserve is generated from surpluses achieved from Civil Parking Enforcement (CPE). The use of any surplus is governed by Section 55 of the Road Traffic Regulations Act 1984 which specifies that the surplus may be used to fund operational costs including subsidising the enforcement service, supporting public passenger transport services, transport planning and road safety, maintaining off-street car parks and highway and environmental maintenance and improvements.

Notes to the Financial Statements

2017/18 £000		2018/19 £000
(4,575)	On-street pay car parking fees	(5,059)
(1,087)	Off-Street car parking fees	(1,088)
(346)	Residents parking permits	(368)
(1,973)	Penalty charge notices	(2,385)
(3,792)	Moving Traffic Offences	(5,039)
(200)	Camera Car	(290)
0	Traffic Enforcement Centre	(212)
(55)	Other income	(7)
(12,028)	Total Income	(14,448)
698	Operational costs / Parking and Permits	914
5,276	Enforcement service	5,843
5,974	Total Expenditure	6,757
(6,054)	Civil Parking Enforcement Net (Surplus)/Deficit	(7,691)
	Appropriations to Parking Reserve:	
351	Balance 1 April	701
6,054	Contributions from CPE	7,692
(5,704)	Contributions to revenue*	(6,902)
701	Balance 31 March	1,491

* Eligible expenditure totalling £6.902 million was drawn down from the reserve leaving a balance of £1.491 million at the 31 March 2019. This included a budgeted drawdown of £5.085 million which supported a range of Council services including ongoing support and improvements to transport, parking, highways and environmental services. It also included specific drawdowns for various improvement schemes and initiatives approved by the Director of Planning, Transport & Environment in consultation with the Cabinet Member for Strategic Planning & Transport.

Rentsmart – the Council is the single licensing authority across Wales, processing landlord registrations and grant licenses to landlords and agents who need to comply with the Housing (Wales) Act 2014. Further details can be found on the website <https://www.rentsmart.gov.wales/en/>. The purpose of the reserve is to reinvest in training and service delivery.

Resources – to provide funding to a number of areas within the Resources Directorate particularly where transition to new methods of operation are required.

South East Wales Construction Framework – ring-fenced levy payments to fund the administration of the South East Wales Construction Framework.

Social Care Technology – to support Social Care ICT developments.

Strategic Budget – to support financial resilience and the future budget requirements of the Council over the Medium Term Financial Plan.

Waste Management - to support additional waste management initiatives to achieve recycling targets and offset the impact of additional tonnage and associated waste management costs.

Welfare Reform - to fund costs arising in connection with potential future welfare reform and the Council Tax Reduction Scheme.

Share of Reserves of Joint Committees - the Council's percentage share of the accumulated balances and earmarked usable reserves.

3. Exceptional Items

There are no exceptional items to disclose separately.

4. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council has been used to provide services in comparison with those resources consumed or earned under Generally Accepted Accounting Practices (GAAP).

Notes to the Financial Statements

	2017/18			Directorate	2018/19		
	Net Expenditure Charged to CF and HRA	Adjustments between accounting & funding basis	Net expenditure CIES		Net Expenditure Charged to CF and HRA	Adjustments between accounting & funding basis	Net expenditure CIES
	£000	£000	£000		£000	£000	£000
	25,800	(15,509)	10,291	Corporate Management	23,638	(15,550)	8,088
	9,207	24,589	33,796	Economic Development	7,141	32,750	39,891
	250,385	34,487	284,872	Education & Lifelong Learning	256,308	17,656	273,964
	5,589	908	6,497	Governance & Legal Services	5,612	260	5,872
	0	2,650	2,650	Harbour Authority	0	2,911	2,911
	0	(19,060)	(19,060)	Housing Revenue Account	0	(35,030)	(35,030)
	42,105	6,039	48,144	Housing and Communities	43,860	2,531	46,391
	40,583	16,677	57,260	Planning Transport and Environment	46,260	40,165	86,425
	20,856	1,590	22,446	Resources	20,001	3,824	23,825
	156,319	1,254	157,573	Social Services	171,110	1,881	172,991
	36,140	(39,252)	(3,112)	Summary Revenue Account	34,983	(36,809)	(1,826)
	586,984	14,373	601,357	Net Cost of Services	608,913	14,589	623,502
	(537,519)	(31,591)	(569,110)	Other Income and Expenditure	(558,589)	(34,091)	(592,680)
	49,465	(17,218)	32,247	(Surplus) or Deficit on Provision of Services	50,324	(19,502)	30,822
		Council Fund	HRA Balance			Council Fund	HRA Balance
		14,255	8,438	Opening Balance as at 1 April		14,255	8,983
		0	545	Surplus/(Deficit)		0	0
		14,255	8,983	Closing Balance as at 31 March		14,255	8,983

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Notes to the Financial Statements

4.1. Note to the Expenditure and Funding Analysis

The adjustments between Accounting and Funding basis are analysed further in the following table.

	2017/18				Directorate	2018/19			
	Adjustments for capital purposes	Net change for Pensions Adjustments	Other Adjustments	Total Adjustments		Adjustments for capital purposes	Net change for Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000		£000	£000	£000	£000
Tudalen 98	10,760	854	(27,123)	(15,509)	Corporate Management	2,698	2,125	(20,373)	(15,550)
	22,755	1,043	790	24,588	Economic Development	29,102	1,137	2,511	32,750
	31,271	822	2,613	34,706	Education & Lifelong Learning	19,506	1,285	(3,135)	17,656
	5	267	636	908	Governance & Legal Services	5	157	98	260
	2,736	99	(185)	2,650	Harbour Authority	2,751	157	3	2,911
	10,270	885	(30,215)	(19,060)	Housing Revenue Account	(5,793)	514	(29,751)	(35,030)
	5,005	743	62	5,810	Housing and Communities	1,330	1,010	191	2,531
	16,622	942	(887)	16,677	Planning Transport and Environment	39,665	1,196	(696)	40,165
	1,264	1,121	(795)	1,590	Resources	1,383	1,408	1,033	3,824
	314	1,068	(117)	1,265	Social Services	335	1,343	203	1,881
	0	6	(39,258)	(39,252)	Summary Revenue Account	0	0	(36,809)	(36,809)
	101,002	7,850	(94,479)	14,373	Net Cost of Services	90,982	10,332	(86,725)	14,589
	(46,281)	14,690	0	(31,591)	Other Income and Expenditure from the Expenditure & Funding Analysis	(50,178)	16,087	0	(34,091)
	54,721	22,540	(94,479)	(17,218)	(Surplus) or Deficit on Provision of Services	40,804	26,419	(86,725)	(19,502)

Notes to the Financial Statements

i. Adjustments for capital purposes

Depreciation, impairment charges and revaluation gains and losses are included within the net cost of services. In addition;

- other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- financing and investment income – the statutory charges for capital financing i.e. prudent revenue provision and other revenue contributions are deducted from other income and expenditure, as these are not chargeable under generally accepted accounting practices (GAAP).
- taxation and non-specific income and expenditure - capital grants are adjusted for income not chargeable under GAAP. Revenue grants are adjusted from those receivable during the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied within the year.

ii. Net Change for Pension Adjustments

The removal of pension contributions and the addition of the IAS19 Employee Benefits pension related expenditure and income are reflected as follows;

- for the net cost of services – the removal of the employer pension contributions made by the Council as determined by statute and their replacement with current service costs and past service costs.
- for financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

iii. Other Adjustments

The amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute are as follows;

- for financing and investment income and expenditure – the other differences column recognises adjustments to the Council Fund for the timing differences of premiums and discounts.
- the charge for taxation and non-specific grant income represents the difference between what is chargeable under statute for council tax and NDR that was forecast to be received at the start of the year, and the income recognised under GAAP. This is a timing difference as any difference is brought forward in the surpluses or deficits on the collection fund.

4.2. Expenditure and Income Analysed by Nature

As well as by Directorate, the Council's expenditure and income analysed by type is shown below.

	2017/18 £000	2018/19 £000
Employee Benefits Expenses	445,984	469,290
Other Service Expenses	574,135	617,362
Depreciation, Amortisation, Impairment & Revaluation	111,832	99,856
Change in Fair Value of Investment Properties	2,502	5,066
Interest Payments	31,781	32,176
Precepts & Levies	48,641	51,305
Transfer to Council Tax Bad Debt Provision	2,070	2,282
Loss on Sale of Non-Current Assets	29,136	9,106
Total Expenditure	1,246,081	1,286,443
Fees, Charges & Other Service Income	(205,283)	(190,940)
Depreciation, Amortisation, Impairment & Revaluation	(9,531)	(7,388)
Change in Fair Value of Investment Properties	(38)	(5,655)
Interest and Investment Income	(700)	(972)
Income from Council Tax and Non-Domestic Rates	(619,311)	(643,511)
Grants and Contributions	(351,825)	(397,565)
Gain on Sale of Non-Current Assets	(27,146)	(9,590)
Total Income	(1,213,834)	(1,255,621)
Surplus & Deficit on the Provision of Services	32,247	30,822

Notes to the Financial Statements

5. Precepts and Levies

	2017/18 £000	2018/19 £000
Precepts		
Police and Crime Commissioner for South Wales	31,216	33,499
Community Councils:		
Lisvane	34	34
Pentyrch	91	143
Radyr	120	122
St Fagans	18	18
Old St Mellons	28	30
Tongwynlais	19	20
	31,526	33,866
Levies & Contributions		
South Wales Fire and Rescue Service	16,857	17,181
Natural Resources Wales	139	139
Cardiff Port Health Authority	114	114
Newport Health Authority	5	5
	17,115	17,439

6. Participation in Joint Committees

During 2018/19 the Council was lead Authority (*) for three Joint Committees and a member authority of three others. The table below shows the revenue contributions made to these Committees. The Statement of Accounts for each Joint Committee are available on the lead authority's website.

Committee	Purpose	Lead Authority	2017/18 £000	2018/19 £000
Cardiff Capital Region City Deal* (CCRCD)	To co-ordinate and discharge Councils' obligations in relation to the City Deal	Cardiff Council	183	239
Central South Consortium Joint Education Service	To provide a regional approach to improvement in schools	Rhondda Cynon Taf Council	1,436	1,523
Glamorgan Archives*	Management and administration of the Glamorgan Records Office	Cardiff Council	209	209
Prosiect Gwyrdd*	To manage residual waste treatment	Cardiff Council	32	27
Regional Adoption Service	To share best practice, develop and improve adoption services	Vale of Glamorgan Council	488	576
Shared Regulatory Service	To provide environmental health services	Vale of Glamorgan Council	5,002	5,110
Total			7,350	7,684

The Council has included its share of the transactions and balances of each Joint Committee in its accounting statements.

In relation to CCRCD, capital contributions of £2.920 million are included in the accounting statements.

Notes to the Financial Statements

7. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands, estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the Council and the Police and Crime Commissioner for the forthcoming year and dividing this amount by the Council Tax base. The Council Tax base is the number of properties in each band adjusted to a proportion to convert the number to a band D equivalent, totalled across all bands and adjusted for discounts. Cardiff's Council Tax base for 2018/19 was 143,453 (143,032 for 2017/18).

The amounts for a band D property in Cardiff during 2018/19 were as follows:

Band D Council Tax:	2017/18 £	2018/19 £
Cardiff Council	1,100	1,155
Police and Crime Commissioner for South Wales	218	234
Total	1,318	1,389

The above amount (£1,389) is multiplied by the proportion specified for the particular band (see following table) to give the individual amount due. Community Council precepts are then added in each of the six Community Council areas.

Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9

Analysis of the net proceeds from Council Tax:

	2017/18 £000	2018/19 £000
Council Tax collectable	(191,095)	(202,564)
Impairment for non-payment of Council Tax	2,070	2,282
Net proceeds	(189,025)	(200,282)
Represented by:		
Precepts	31,526	33,866
Council Tax attributable to the Council	157,499	166,416

The cumulative impairment for non-payment of Council Tax held at the 31 March 2019 is £8.730 million (£7.183 million at 31 March 2018).

Council Tax that is past due but not impaired:

	31 March 2019 '£000
Debts less than one year	272
Debts between two and 5 years	288
Debts over five years	30
Total Council Tax due but not impaired	590

8. Non-Domestic Rates (NDR)

The Welsh Government specifies an amount for the rate (51.4p in 2018/19 and 49.9p in 2017/18) and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its areas but pays the proceeds into the NDR pool administered by the Welsh Government. The sums collected are redistributed back to Councils on the basis of a fixed amount per head of population. The

Notes to the Financial Statements

rateable value was £458.132 million for 2018/19 (£457.936 million 2017/18). An analysis of the net proceeds from non-domestic rates is shown below:

	2017/18 £000	2018/19 £000
Non-Domestic Rates collectable	184,953	194,593
Cost of collection allowance	(893)	(903)
Impairment for non-payment	(1,459)	(2,658)
Payment into national pool	182,601	191,032
Redistribution from national pool	(115,480)	(115,383)

9. Agency Income and Expenditure

The Council acts as an agent on behalf of the following in the provision of goods and services:

Welsh Government

- Non Domestic Rates collection. A net debtor of £9.452 million at 31 March 2019 (£13.323 million at 31 March 2018) is included in the balance sheet which represents the amount by which the cash paid over to Welsh Government exceeds the amount collected from ratepayers.
- Houses into Homes Loans - provide loans to bring back unused properties into homes. At 31 March 2019 the Welsh Government had provided £2.736 million of funding, of which £859,000 is outstanding as loans provided. The balance available for new loans was £1.877 million (£1.935 million at 31 March 2018).
- Home Improvement loans – provide loans for home improvements. At 31 March 2019 the Welsh Government had provided £1.062 million of funding, of which £484,000 is outstanding as loans provided leaving a balance available for new loans of £578,000.

South Wales Trunk Road Agency

The total reimbursement received by the Council was £393,000 in 2018/19 (£595,000 in 2017/18).

FOR Cardiff (formerly known as Business Improvement District (BID) Company)

This is a partnership between the local business community and the Council. The BID is a defined area within the city centre in which a levy is charged on all business rate payers of all relevant businesses in addition to their business rates bill. This is used to develop projects benefitting the local area. Further information is available on their website <https://www.forcardiff.com>. The Council collects the income and pays this over to the BID Company. This totalled £1.620 million in 2018/19 (£1.518 million in 2017/18). At 31 March 2019 the Council owed the company £0 (£81,000 at 31 March 2018).

Prosiect Gwyrdd

The Council is responsible for the payments to Viridor to provide waste treatment in relation to commercial and industrial waste. The Council made payments of £9.476 million in 2018/19 (£10.662 million in 2017/18) on behalf of all the partners.

10. Remuneration

10.1 The Accounts and Audit (Wales) Regulations 2014 require the ratio of the remuneration of the Chief Executive to the median remuneration of all the body's employees. The multiple between the median full time equivalent earnings and the Chief Executive in 2018/19 was 1:7 (1:7 in 2017/18). The median full time equivalent earnings for 2018/19 was £25,105 (£24,373 in 2017/18). These figures include staff directly employed by the governing bodies of schools including several Voluntary-Aided, Voluntary-Controlled and Foundation Schools, as well as those employed by the Council.

10.2 The Accounts and Audit (Wales) Regulations 2014 also requires that the number of employees, whose remuneration is over £60,000 per annum be disclosed within bands of £5,000. The following table includes all staff that fall within this category including teaching staff.

Notes to the Financial Statements

The remuneration bands include all taxable remuneration received in the year, including in some cases, severance payments and Returning Officer fees but exclude employers pension contributions and any expenses that are not chargeable to UK income tax.

The table separately identifies individuals directly employed by the governing bodies of schools including several Voluntary-Aided, Voluntary-Controlled and Foundation Schools, as well as those employed by the Council. The employee costs relating to these individuals are included with the Council's Net Cost of Services and, therefore, these individuals are included in the following table.

Remuneration band £	Number of Employees			
	2017/18		2018/19	
	Non Schools	Schools	Non Schools	Schools
60,000-64,999	9	51	9	65
65,000-69,999	19	27	19	31
70,000-74,999	1	11	1	12
75,000-79,999	0	8	3	8
80,000-84,999	9	8	6	9
85,000-89,999	1	4	0	6
90,000-94,999	0	2	2	1
95,000-99,999	0	2	1	3
100,000-104,999	0	2	1	2
105,000-109,999	0	2	0	1
110,000-114,999	0	1	0	1
115,000-119,999	0	2	0	0
120,000-124,999	6	0	4	2
125,000-129,999	0	1	0	1
130,000-134,999	1	0	0	0
135,000-139,999	0	1	2	1
140,000-144,999	0	0	0	0
145,000-149,999	0	1	0	0
150,000-154,999	0	0	0	1
155,000-159,999	0	0	0	0
160,000-164,999	0	0	0	0
165,000-169,999	0	0	0	0
170,000-174,999	1	0	0	0
175,000-179,999	0	0	1	0
Total	47	123	49	144

Notes to the Financial Statements

10.3. Shown in the tables below are remuneration details as required by regulation:

- Senior employees who form part of the Council's Senior Management Team (Directors, Assistant Directors and Heads of Service) whose salary is £60,000 or more per annum but less than £150,000. These are identified by job title.
- Senior employees whose salary is £150,000 or more on an annualised basis are identified by name
- The table does not include senior employees in schools.

Remuneration also includes the cost of any additional contributions that the Council is required to make to the Pension Fund in respect of the individuals who are leaving the Council i.e. Enhancement of Retirement Benefits (Pension Strain costs). No bonuses have been paid during 2018/19 (£0 in 2017/18)

Tudalen 104	2017/18	2018/19	Note	Salary, fees and allowances received £	Taxable benefits £	Compensation for loss of employment		Employers pension contribution (23.3% of salary) £	Total remuneration including pension contributions £	Explanatory notes
	Total remuneration including pension contributions £					Post title	Received via payroll (taxable) £			
	213,823	Chief Executive - Paul Orders		176,885	0	0	0	41,568	218,453	
	132,613	Corporate Director Resources & Section 151 Officer	(a)	135,265	0	0	0	0	135,265	Relinquished S151 duties 10/03/2019. Due to leave the Council 02/04/2019.
	0	Corporate Director Resources & Section 151 Officer		7,636	0	0	0	1,794	9,430	Commenced 11/03/2019. Annualised salary £135,265.
	24,363	Corporate Director People and Communities		135,265	0	0	0	31,787	167,052	Post commenced 07/02/2018. Annualised salary £135,265.
	128,442	Director Communities, Housing & Customer Services		0	0	0	0	0	0	Post deleted 06/02/2018.

Notes to the Financial Statements

2017/18	2018/19	Note	Salary, fees and allowances received	Taxable benefits	Compensation for loss of employment		Employers pension contribution (23.3% of salary)	Total remuneration including pension contributions	Explanatory notes
					Received via payroll (taxable)	Received via payroll (non-taxable)			
£	Post title		£	£	£	£	£	£	
150,934	Director Planning, Transport & Environment		124,860	0	0	0	29,342	154,202	Formerly Director City Operations in 2017/18
150,934	Director Economic Development		124,860	0	0	0	29,342	154,202	
150,947	Director Education & Lifelong Learning		124,860	163	0	0	29,342	154,365	
150,580	Director Governance & Legal Services & Monitoring Officer		124,860	0	0	0	29,012	153,872	
0	Director Social Services		90,960	0	0	0	21,376	112,336	Commenced 09/07/2018. Annualised salary £124,860.
150,934	Director Social Services		10,201	36	0	0	2,397	12,634	Left the Council 30/04/2018. Annualised salary £124,860.
0	Chief Digital Officer		100,235	0	0	0	23,555	123,790	Post commenced 01/04/2018.
102,635	Assistant Director Customer Services & Communities		0	0	0	0	0	0	Post deleted 31/03/2018.
102,635	Assistant Director Adult Services		8,279	0	0	0	1,946	10,225	Left the Council 06/05/2018. Annualised salary £84,905.
0	Assistant Director Adult Services		15,977	0	0	0	3,755	19,732	Commenced 24/01/2019. Annualised salary £84,905.

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	2017/18	2018/19	Note	Salary, fees and allowances received	Taxable benefits	Compensation for loss of employment		Employers pension contribution (23.3% of salary)	Total remuneration including pension contributions	Explanatory notes
	Total remuneration including pension contributions					Post title	Received via payroll (taxable)			
	£			£	£	£	£	£	£	
Tudalen 106	128,115	Assistant Director Children's Services	(b)	73,704	0	0	0	0	73,704	Left the Council 12/10/2018. Annualised salary £84,905.
	0	Assistant Director Children's Services	(b)	82,123	0	0	0	0	82,123	Commenced 13/09/2018. Annualised salary £84,905.
	102,635	Assistant Director Commercial Services		49,292	0	20,810	26,647	9,976	106,725	Post deleted 30/09/2018. Annualised salary £84,905.
	102,635	Assistant Director Education & Lifelong Learning		78,514	0	0	0	18,451	96,965	Left the Council 03/03/2019. Annualised salary £84,905.
	102,635	Assistant Director Housing & Communities		84,905	0	0	0	19,953	104,858	
	0	Assistant Director Street Scene		66,273	134	0	0	16,469	82,876	Post commenced 20/06/2018. Annualised salary £84,905.
	102,635	Chief HR Officer		84,905	0	0	0	19,953	104,858	
	102,635	Head of Finance		84,905	0	0	0	19,953	104,858	
	102,635	Head of Performance & Partnerships		75,050	0	0	0	17,637	92,687	Left the Council 17/02/2019. Annualised salary £84,905.

(a) In addition to the remuneration fees detailed in the table above, Corporate Director Resources received fees relating to Returning Officer duties of £652.41 in 2018/19 (£31,785 in 2017/18).

(b) During 2018/19 agency invoices of £155,827 (£128,115 in 2017/18) were received for services as Assistant Director Children's Services.

Notes to the Financial Statements

10.4 Exit Packages

The numbers of exit packages with total cost per band and the total cost of the compulsory and other redundancies are set out in the following tables. The total costs of the exit packages identified are made up of two elements. The first element is the one off payment made to an individual as compensation for loss of employment through either voluntary or compulsory redundancy. The second element is the pension strain cost which is paid by the Council to the Pension Fund over a five year period.

2017/18				Exit package cost band (including special payments)	2018/19			
Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £		Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £
14	42	56	585,070	£0 - £20,000	44	102	146	1,204,141
2	15	17	480,481	£20,001 – £40,000	5	57	62	1,522,036
1	7	8	405,989	£40,001 – £60,000	1	7	8	418,560
1	5	6	414,321	£60,001 – £80,000	1	3	4	267,582
0	2	2	166,285	£80,001 – £100,000	0	5	5	470,239
0	3	3	331,498	£100,001 – £150,000	0	4	4	482,765
0	1	1	166,519	£150,001 – £200,000	0	0	0	0
18	75	93	2,550,163	Total	51	178	229	4,365,323

10.5 Members Allowances

The total amount of Members' Allowances (including basic and special responsibility) paid in 2018/19 was £1.320 million (£1.290 million in 2017/18). As required by the Code, this figure includes all remuneration paid to members including basic and special allowances, care allowances and directly reimbursed expenses.

11. Health Act 1999 Pooled Funds and Similar Arrangements

The Cardiff and Vale Joint Equipment Store (JES) is a Section 33 partnership agreement between Cardiff and Vale of Glamorgan local authorities and the Cardiff and Vale University Health Board for the provision of an integrated community equipment service serving the combined Cardiff and Vale region. The agreement came into effect on 1 January 2012. The Council's transactions are included in the Housing & Communities line of the Comprehensive Income and Expenditure Statement.

Under regulation 19(1) of the Partnership Arrangements (Wales) Regulations 2015, a pooled budget arrangement has been agreed between Cardiff and Vale local authorities and the Cardiff and Vale University Health Board in relation to the provision of care home accommodation for older people. The arrangement came into effect on 1st April 2018. Cardiff Council is acting as host authority during the initial term of the agreement (2018/19 financial year). The transactions are included in the Social Services line of the Comprehensive Income and Expenditure statement.

Income and expenditure for these pooled budget arrangements for the year ending 31 March 2019 are as follows:

Notes to the Financial Statements

2017/18 £000			2018/19 £000	
Joint Equipment	Care Homes for older people		Joint Equipment	Care Homes for older people
		Expenditure		
1,598	0	Equipment	1,832	0
102	0	Contribution to Overheads	102	0
0	0	Care Home costs	0	60,844
1,700	0	Total Expenditure	1,934	60,844
		Funding		
(1,267)	0	Cardiff and Vale University Health Board	(1,289)	(27,408)
(283)	0	Cardiff Council	(391)	(24,099)
(217)	0	Vale of Glamorgan Council	(212)	(9,337)
(1,767)	0	Total Funding	(1,892)	(60,844)
(67)	0	(Surplus)/Deficit transferred to Reserve	42	0

12. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, providing the majority of its funding in the form of grants and prescribing the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set out in note 30 including grant receipts outstanding at 31 March 2019.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2018/19 is shown in note 10. Members' interests in other organisations have been identified by an inspection of the Members' and Officers' Declaration of Interest Register. During 2018/19, goods and services totalling £28.954 million were commissioned from organisations including public bodies in which members had an interest (£15.120 million in 2017/18) and income was received of £41.282 million (£15.990 million in 2017/18). Grants totalling £2.240 million (£3.678 million in 2017/18) were paid to organisations in which members had an interest.

Officer's emoluments are shown in note 10. In 2018/19, for organisations in which Senior Officers had an interest there were £20,000 of goods and services commissioned (£0 in 2017/18). For goods and services provided, income of £147,000 was received in 2018/19 (£63,589 in 2017/18). This figure is also included in the income for members' as there are representatives for officers and members on the board.

Subsidiary Companies include Cardiff City Transport Services (Cardiff Bus) and its subsidiary Vale Busline Limited, Cardiff Business Technology Centre (CBTC), Cardiff Business Council and Atebion Solutions Ltd. Details of transactions with these companies are shown in note 24 to the Core Financial Statements.

Pension Fund contributions paid to the Fund are shown in note 17.

Precepts and Levies collected on behalf of other organisations and an analysis of amounts levied on the Council by other bodies can be found in note 5 to the Core Financial Statements. Separate to the

Notes to the Financial Statements

precept, the Council made payments of £41,000 to Police and Crime Commissioner for South Wales during 2018/19 (£125,286 in 2017/18).

Related Party Balances

The following balances were held in respect of related parties including public bodies:

31 March 2018			31 March 2019	
Debtors £000	Creditors £000		Debtors £000	Creditors £000
33,540	(1,220)	Central Government Grants	27,056	(1,732)
28	(133)	Cardiff City Transport Services Ltd	43	(10)
2,001	(25)	Companies in which members' interests declared/other	7,370	(26)
35,569	(1,378)	Total	34,469	(1,768)

13. External Audit Costs

2017/18 £000		2018/19 £000
383	Fees payable to Wales Audit Office for external audit services	382
65	Fees payable to Wales Audit Office for the certification of grant claims	65
23	Fees payable to Wales Audit Office for other financial audit work	20
471	Total	467

14. Leasing

Council as Lessee

Operating leases

Operating leases exist in respect of properties, vehicles and other items of equipment. The following sums were charged to revenue in 2018/19:

2017/18 £000		2018/19 £000
1,330	Property Leases	1,275
3,127	Other Leases	2,316
4,457		3,591

The Council was committed at 31 March 2019 to making payments of £3.275 million under operating leases in 2018/19 (£4.209 million at 31 March 2018 for 2017/18) comprising the following elements:

31 March 2018			31 March 2019	
Property Leases £000	Other Leases £000		Property Leases £000	Other Leases £000
0	1,925	Leases expiring within 1 year	123	666
1,016	1,021	Leases expiring between 2 and 5 years	1,047	1,337
247	0	Leases expiring after 5 years	102	0
1,263	2,946		1,272	2,003

Finance Leases

There were no finance leases at 31 March 2019 (none in 2017/18) and there are no future obligations under finance leases.

Notes to the Financial Statements

Council as Lessor

Operating Leases

Operating leases exist in respect of land and buildings and the Council received revenue of £5.608 million in 2018/19 (£5.618 million in 2017/18).

The Council was committed as at 31 March 2019 to receiving income of £5.356 million (£5.390 million as at 31 March 2018) under operating leases for Land & Buildings comprising the following elements:

31 March 2018 £000		31 March 2019 £000
488	Leases expiring within 1 year	322
1,253	Leases expiring between 2 and 5 years	1,209
3,649	Leases expiring after 5 years	3,825
5,390		5,356

Finance Leases

The Council does not provide any leases of this type.

15. Investment Properties

The following items have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2017/18 £000		2018/19 £000
(5,402)	Rental income from investment property	(5,688)
2,173	Direct operating expenses arising from investment property	1,839
(3,229)	Net (gain) / loss	(3,849)

Subject to the terms and conditions of individual lease arrangements, the Council does have contractual obligations to repair, maintain or enhance certain properties.

16. Prudent Revenue Provision

The Council is required to set aside annually from its revenue budget, a prudent amount for the repayment of borrowing historically undertaken to pay for capital expenditure. The amount is set having regard to Welsh Government Guidance and a policy agreed by Council as part of its budget proposals each year. This amount reduces the Council's underlying need to borrow, the Capital Financing Requirement (CFR).

Depreciation, impairment charges and finance lease charges included in the Comprehensive Income and Expenditure Statement are accounting charges. These are reversed and replaced by the prudent revenue provision via an appropriation to/from the Capital Adjustment Account in the Movement in Reserves Statement.

2017/18 £000		2018/19 £000
24,257	Council Fund revenue provision	26,635
11,108	Housing Revenue Account provision	11,413
35,365	Prudent revenue provision	38,048

17. Pensions

Participation in Pension Schemes

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this commitment needs to be disclosed at the time that employees earn their future entitlement.

Notes to the Financial Statements

The Council participates in two different pension schemes both of which provide members with benefits related to pay and service:

- Teachers' Pension Scheme; and
- Local Government Pension Scheme.

Teachers' Pension Scheme

Unless they opt out, teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teacher's Pension Agency on behalf of the Department for Education. It is a defined benefit scheme and although it is unfunded, it is a notional fund as a basis for calculating the employer's contribution rate. However, it is not possible for the Council to identify its share of the underlying liabilities of the scheme attributable to its own employees and so for the purposes of the Statement of Accounts it is accounted for on the same basis as a defined contribution scheme, i.e. the cost charged to Net Cost of Services in the year is the cost of the employer's contributions to the scheme.

In 2018/19 the Council paid £20.104 million in respect of teachers' pension costs, which represents 16.5% of teachers' pensionable pay (£19.562 million representing 16.5% of teachers' pensionable pay in 2017/18). In addition, the Council is responsible for the costs of any additional benefits awarded on early retirement outside of the Teachers' scheme. These benefits are fully accrued in the pension's liability for unfunded liabilities.

Local Government Pension Scheme

The Council's non-teaching employees are automatically enrolled unless they choose to opt out of joining the Cardiff and Vale of Glamorgan Pension Fund (The Fund), for which the Council acts as Administering Authority. This is a defined benefit scheme based on career-average pensionable salary. Both the Council and the employees pay contributions into the fund, calculated at a level intended to balance the pensions' liabilities with the pensions' assets.

The Local Government Pension Scheme is a funded scheme i.e. it has assets as well as liabilities. In addition, the Council has unfunded pension liabilities in respect of its commitment to make payments directly to certain pensioners arising from arrangements made in earlier years to award enhanced benefits.

The disclosures below relate to the Fund and, where applicable, certain unfunded benefits provided by the Employer as referred to above.

Transactions relating to retirement benefits

The main accounting statements have been compiled in accordance with International Accounting Standards 19 – Employee Benefits (IAS 19) and for the Local Government Pension Scheme, include the cost to the Council of pension entitlements earned in the year rather than the cost of contributions paid into the Fund. The cost of entitlements earned, which is known as the Current Service Cost has been recognised in the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

However, the charge that is required to be made against Council Tax in respect of pensions is to be based on the cash payable to the pension fund during the year. To achieve this, IAS 19 costs are reversed out in the Movement in Reserves Statement and replaced with the employers' contribution payable during the year.

The following table sets out the requisite transactions that have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserve Statement during the year. The following table represents Cardiff Council only.

Notes to the Financial Statements

	2017/18			2018/19		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Comprehensive Income Expenditure Statement (CI&E Statement)						
Net Cost of Services:						
Current Service Cost	50,150	0	50,150	55,670	0	55,670
Past Service Costs	1,520	170	1,690	1,650	1,250	2,900
Financing & Investment Income & Expenditure						
Interest on net defined benefit liability/(asset)*	13,310	1,200	14,510	14,760	1,180	15,940
Net charge to CI&E Statement	64,980	1,370	66,350	72,080	2,430	74,510
Remeasurement of the net Defined Liability comprising						
Returns on Plan Assets excluding amounts included in net interest	(6,030)	0	(6,030)	(52,880)	0	(52,880)
Actuarial losses arising from changes in Financial assumptions	30,390	420	30,810	102,180	1,480	103,660
Actuarial gains arising from changes in demographic assumptions	0	0	0	(76,170)	(2,260)	(78,430)
Other experience and Actuarial adjustments	9,160	450	9,610	2,880	3,900	6,780
Total Remeasurements recognised in Other Comprehensive Income	33,520	870	34,390	(23,990)	3,120	(20,870)
Total charged to Comprehensive Income and Expenditure Statement	98,500	2,240	100,740	48,090	5,550	53,640

	2017/18			2018/19		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Movement in Reserves Statement						
Reversal of net charges made for retirement benefits in accordance with IAS19	(64,980)	(1,370)	(66,350)	(72,080)	(2,430)	(74,510)
Actual amount charged against Council Tax in respect of pensions for the year						
Employers contributions payable to the scheme	40,820	0	40,820	44,540	0	44,540
Payments in respect of unfunded pensions liabilities **	0	3,210	3,210	0	3,350	3,350
Total	40,820	3,210	44,030	44,540	3,350	47,890

*This is different from the figure in the CIES as the CIES includes a share of the joint committees.

** Included in this figure are enhanced benefits awarded to teachers for which the Council is responsible and some unfunded liabilities which are administered by Rhondda Cynon Taf (RCT) Council on behalf of the Council.

Notes to the Financial Statements

Reconciliation of funded status to Balance Sheet

31 March 2018				31 March 2019		
Funded scheme £000	Unfunded liabilities £000	Total £000		Funded scheme £000	Unfunded liabilities £000	Total £000
(1,730,930)	(47,490)	(1,778,420)	Opening present value of liabilities	(1,820,380)	(46,520)	(1,866,900)
(50,150)	0	(50,150)	Current service cost	(55,670)	0	(55,670)
(44,420)	(1,200)	(45,620)	Interest cost	(46,800)	(1,180)	(47,980)
(10,470)	0	(10,470)	Contributions by participants	(11,240)	0	(11,240)
(39,550)	(870)	(40,420)	Remeasurements in Other Comprehensive Income (OCI)	(28,890)	(3,120)	(32,010)
56,660	3,210	59,870	Net benefits paid out *	53,350	3,350	56,700
(1,520)	(170)	(1,690)	Past service cost	(1,650)	(1,250)	(2,900)
(1,820,380)	(46,520)	(1,866,900)	Closing present value of liabilities	(1,911,280)	(48,720)	(1,960,000)
1,198,860	0	1,198,860	Opening fair value of assets	1,230,630	0	1,230,630
31,110	0	31,110	Interest income on assets	32,040	0	32,040
6,030	0	6,030	Remeasurement gains/(losses) on assets	52,880	0	52,880
40,820	0	40,820	Contributions by employer	44,540	0	44,540
10,470	0	10,470	Contributions by participants	11,240	0	11,240
(56,660)	0	(56,660)	Net benefits paid out **	(53,350)	0	(53,350)
1,230,630	0	1,230,630	Closing fair value of assets	1,317,980	0	1,317,980
(589,750)	(46,520)	(636,270)	Net pension asset /(liability)*	(593,300)	(48,720)	(642,020)

*This is different from the figure in the CIES as the CIES includes a share of the joint committees.

**The figures for net benefits paid out consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

Contributions for year ending 31 March 2020

Local Government Scheme - employer's regular contributions to the Fund for the accounting period ending 31 March 2020 are estimated to be £43.832 million. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

Unfunded liabilities - in the accounting period ending 31 March 2020 the Council expects to pay £3.546 million directly to beneficiaries.

Basis for estimating assets and liabilities

The latest actuarial valuation of the Council's liabilities including the unfunded benefits in the Cardiff and Vale of Glamorgan Pension Scheme took place as at 31 March 2016.

The principal assumptions used by the independent qualified actuaries in updating the latest valuation, as at 31 March 2019, for IAS19 purposes are shown in the following table:

Notes to the Financial Statements

31 March 2018	Assumptions	31 March 2019
	Longevity at 45 for Current Pensioners (years)	
24.2	Men	23.0
27.2	Women	25.9
	Longevity at 65 for Current Pensioners (years)	
23.1	Men	22.4
25.8	Women	24.8
	Rates	
3.2%	Rate of Inflation - Retail Price Index (RPI)	3.3%
2.1%	Rate of Inflation - Consumer Price Index (CPI)	2.2%
3.1%	Rate of general increase in salaries*	3.2%
2.1%	Rate of increase to pensions in payment**	2.2%
2.1%	Rate of increase to deferred pensions	2.2%
2.6%	Discount rate for scheme liabilities	2.4%

*This has been set as 1.0% p.a. above the CPI inflation assumption which is consistent with the assumption used at the 2016 valuation.

Asset Allocation

The approximate split of assets for the Fund as a whole is shown in the following table. The asset allocation in the fund are notional and the assets are assumed to be invested in line with the investments of the Fund set out below for the purposes of calculating the return to be applied to those notional assets.

The Council does not invest in property or assets related to itself. It is possible, however, that assets may be invested in shares relating to some of the private sector employers participating in the Fund if it forms part of the balanced investment strategy.

31 March 2018				31 March 2019		
Quoted %	Unquoted %	Total %	Assets	Quoted %	Unquoted %	Total %
62.6	3.9	66.5	Equities	59.7	4.0	63.7
6.3	0.0	6.3	Property	7.7	0.0	7.7
15.4	0.0	15.4	Government Bonds	10.7	0.0	10.7
10.4	0.0	10.4	Corporate Bonds	11.0	0.0	11.0
1.4	0.0	1.4	Cash	1.5	0.0	1.5
0.0	0.0	0.0	Other*	5.4	0.0	5.4
96.1	3.9	100	Total	96.0	4.0	100

*Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments.

History of Asset Values, Present Value of Liabilities and Surplus/ (Deficit)

	31 March 2015 £000	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000	31 March 2019 £001
Fair value of assets	1,027,052	1,014,120	1,198,860	1,230,630	1,317,980
Present value of funded liabilities	(1,528,588)	(1,513,150)	(1,730,930)	(1,820,380)	(1,911,280)
Present value of unfunded liabilities	(38,250)	(46,650)	(47,490)	(46,520)	(48,720)
Surplus/(deficit)	(539,786)	(545,680)	(579,560)	(636,270)	(642,020)

Notes to the Financial Statements

Sensitivity Analysis of Present Value of Funded Liabilities

Results of sensitivity are shown below, in each case, only the assumption mentioned is altered and all other assumptions remain the same. Sensitivity of unfunded benefits is not included on materiality grounds.

Funded Defined Benefit Obligation £1,911,280	+0.1% p.a		-0.1% p.a	
Change in Assumptions on Present value of the funded defined benefit obligations	£000	% Increase /Decrease to Employee Liability		£000
Adjustment to Discount rate	1,876	-1.8%	1.9%	1,947
Adjustment to Salary Increase rate	1,920	0.5%	-0.5%	1,902
Adjustment to Pension Increase rate	1,398	1.4%	-1.4%	1,885
Adjustment to Mortality rate	1,973	3.2%	-3.2%	1,850

Notes to the Financial Statements

18. Non-Current Assets

Property, Plant and Equipment	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	P, P & E under construction	Total Property, Plant & Equipment
Movements in Cost or Values	£000	£000	£000	£000	£000	£000	£000	£000
1 April 2017	554,803	767,945	36,684	605,525	19,652	40,992	42,555	2,068,156
Additions	17,633	32,934	4,587	14,943	84	14	54,899	125,094
Revaluations Increases/(Decreases) recognised in the RR*	0	27	0	0	0	(844)	0	(817)
Revaluations Increases/(Decreases) recognised in the SDPS**	0	(20,209)	0	0	0	(16,396)	0	(36,605)
Impairment Losses/Reversals to RR	0	(361)	0	0	0	0	0	(361)
Impairment Losses/Reversals to SDPS	(25)	(7,130)	0	0	0	0	(1,458)	(8,613)
Derecognition - Disposals	(1,479)	(1,000)	(3,401)	0	0	(567)	0	(6,447)
Reclassified (to)/from Held for Sale	0	(582)	0	0	0	(5,975)	0	(6,557)
Other Reclassifications - Transfers	3,243	(864)	17	3,746	0	22,348	(28,271)	219
31 March 2018	574,175	770,760	37,887	624,214	19,736	39,572	67,725	2,134,069
Additions	22,682	45,396	6,462	18,483	10	3,844	23,270	120,147
Revaluations Increases/(Decreases) recognised in the RR	17,507	9,347	0	0	0	(1,833)	0	25,021
Revaluations Increases/(Decreases) recognised in the SDPS	(9,008)	(57,790)	0	0	0	130	156	(66,512)
Impairment Losses/Reversals to RR	0	(173)	0	0	0	(2,225)	0	(2,398)
Impairment Losses/Reversals to SDPS	(133)	(756)	0	0	0	(2,784)	(78)	(3,751)
Derecognition - Disposals	(711)	(2,608)	(3,932)	0	0	(80)	0	(7,331)
Reclassified (to)/from Held for Sale	0	0	0	0	0	3,271	0	3,271
Other Reclassifications - Transfers	277	42,387	795	6,748	60	(1,695)	(54,772)	(6,200)
31 March 2019	604,789	806,563	41,212	649,445	19,806	38,200	36,301	2,196,316
Movements in Depreciation/Impairment								
1 April 2017	16,941	26,169	21,127	310,904	0	0	0	375,141
Depreciation Charge	9,072	16,571	4,927	22,135	0	0	0	52,705
Depreciation written out on Impairment	0	(262)	0	0	0	0	0	(262)
Depreciation written out to the RR	0	(804)	0	0	0	0	0	(804)
Depreciation written out to the SDPS	0	(97)	0	0	0	(27)	0	(124)
Derecognition - Disposals	(42)	(723)	(3,401)	0	0	0	0	(4,166)
Reclassifications - Transfers	0	(27)	0	0	0	27	0	0
31 March 2018	25,971	40,827	22,653	333,039	0	0	0	422,490
Depreciation Charge	9,908	19,479	5,422	21,224	0	0	0	56,033
Depreciation written out on Impairment	0	(130)	0	0	0	0	0	(130)

Notes to the Financial Statements

Depreciation written out to the RR	(25,971)	(10,089)	0	0	0	0	0	(36,060)
Depreciation written out to the SDPS	0	(14,759)	0	0	0	0	0	(14,759)
Derecognition - Disposals	0	(147)	(3,897)	0	0	0	0	(4,044)
Reclassifications - Transfers	0	(170)	0	0	0	0	0	(170)
31 March 2019	9,908	35,011	24,178	354,263	0	0	0	423,360
Net Book Value								
At 31 March 2018	548,204	729,933	15,234	291,175	19,736	39,572	67,725	1,711,579
At 31 March 2019	594,881	771,552	17,034	295,182	19,806	38,200	36,301	1,772,956

* RR = Revaluation Reserve

** SDPS = Surplus or deficit on Provision of Services

Heritage Assets

2017/18 £000		2018/19 £000
53,846	Balance at 1 April	54,099
53	Additions	53
200	Revaluation increases /(decreases) to RR	0
54,099	Balance at 31 March	54,152

The Council has tangible heritage assets which consist mainly of the following three categories:-

- public art
- scheduled ancient monuments for which it is responsible
- paintings, artefacts and civic regalia.

The notes below indicate the treatment of each of the above three categories in these accounts.

Public Art - there are over 100 pieces of public art owned by the Council across the city, including freestanding artworks and significant pieces integrated into the design of buildings. These assets are not identified or valued separately in the Council's Balance Sheet as conventional valuation approaches lack sufficient reliability. In addition the costs of obtaining valuations for these items would be disproportionate to the benefits. Details of these assets are held within the Cardiff Public Art Register, which is available on the Council's internet site www.cardiff.gov.uk under the Resident, Planning, City Design and Public Art section.

Scheduled Ancient Monuments - the Council is responsible or part responsible for 17 of the 28 scheduled ancient monuments in the city. These are required to be protected for their contribution to knowledge and culture and include prehistoric burial sites and mounds, castles and forts, religious sites, defence structures as well as other sites of industrial significance. Unless expenditure has been incurred on these assets previously, these sites are not included in the Council's accounts at historic cost or value. Given the unique and often diverse nature of these assets, conventional valuation approaches lack sufficient reliability and the costs of obtaining valuations for these items would be disproportionate to the benefits. Details of these monuments are held within the Scheduled Ancient Monuments in Cardiff information leaflet which is available on www.cardiff.gov.uk under Resident, Planning and Conservation of the Built Environment section.

Paintings, artefacts and civic regalia - the Council has a collection of paintings, artefacts and civic regalia, much of which is related to local interest. The main items in terms of number and value are collections at the castle reflecting its historic significance and interpretation for visitors. Other items held at public buildings have been accumulated over a number of years. These items are included in the balance sheet at an insurance valuation of £38.421 million undertaken externally as at 1 April 2016, by Mr A.N. Schoon, Antiques and Fine Art Valuer.

Council policy on acquisitions, disposals, care and conservation - where resources allow, the Council will seek to create, acquire and preserve heritage resources for the benefits of its citizens in

Notes to the Financial Statements

partnership with other public and private sector bodies using grant and other funding opportunities. Acquisitions are rare, although public art is often commissioned as part of regeneration schemes.

For assets held at the castle, acquisition, disposal and care is undertaken in accordance with the museum accreditation scheme.

The statutory requirements placed upon the owners of Scheduled Ancient Monuments are likely to make the disposal of assets within Council ownership unviable. Before any work, alteration or controlled archaeological excavations are undertaken, consent is obtained from the Welsh Government.

Investment Properties

The following table summarises the movement in the fair value of investment properties over the year:

2017/18 £000		2018/19 £000
132,241	Balance at 1 April	103,820
1,036	Additions	12,679
(2,502)	Impairment	(185)
(26,774)	Disposals	(318)
0	Reclassified (to) / from Held for Sale	0
(219)	Other Reclassifications	1,234
32	Revaluation increases / (decreases) to RR*	1,430
6	Revaluation increases / (decreases) to SDPS**	(656)
103,820	Balance at 31 March	118,003

* Revaluation Reserve

** Surplus/Deficit on Provision of Services

Intangible Assets

Movements in intangible assets during 2018/19 are summarised as follows:

2017/18 Total £000		2018/19		
		Other Intangible Assets £000	Intangible AUC £000	Total £000
	Cost or Valuation			
8,500	Balance at 1 April	8,675	160	8,835
335	Additions	482	0	482
0	Other reclassifications	160	(160)	0
8,835	Balance at 31 March	9,317	0	9,317
	Amortisation			
5,185	Balance at 1 April	6,134	0	6,134
949	Amortisation	961	0	961
6,134	Balance at 31 March	7,095	0	7,095
	Net Book Value:			
2,701	Balance at 31 March	2,222	0	2,222

Capital Expenditure and Capital Financing

Capital expenditure incurred in the year is shown in the following table, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by borrowing, it results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be paid for. Prudent provision for the repayment of external borrowing reduces the CFR.

Notes to the Financial Statements

2017/18 £000		2018/19		
		CFR exc. landfill £000	Landfill CFR £000	Total CFR £000
747,864	Opening Capital Financing Requirement	750,755	22,409	773,164
	Capital Expenditure:			
120,366	Property, Plant and Equipment*	120,147	0	120,147
53	Heritage Assets	53	0	53
0	Assets Held for Sale	0	0	0
1,036	Investment Properties	12,679	0	12,679
335	Intangible Assets	482	0	482
200	Loans / Equity	1,661	0	1,661
15,148	Expenditure on REFCUS	8,098	0	8,098
	Sources of Finance:			
(10,682)	Capital Receipts	(22,037)	0	(22,037)
(55,363)	Government grants and other contributions	(56,493)	0	(56,493)
(10,407)	Direct revenue contributions and reserves	(11,120)	0	(11,120)
(35,386)	Prudent revenue and capital provision for loan repayment	(37,056)	(1,020)	(38,076)
773,164	Closing Capital Financing Requirement	767,169	21,389	788,558
	Explanation of movements in year:			
(2,427)	Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)	(2,254)	0	(2,254)
27,728	Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	18,668	(1,020)	17,648
25,301	Increase in Capital Financing Requirement	16,414	(1,020)	15,394

Revenue Expenditure funded from Capital under Statute (REFCUS)

The following amounts were treated as capital expenditure to be paid for from capital resources. The table includes expenditure on items that do not result in the creation or enhancement of an asset for the Council or where specific approval has been received from Welsh Government to treat such expenditure as capital expenditure and meet from capital resources.

2017/18 £000		2018/19 £000
	Expenditure:	
4,254	Housing Improvement Grants	5,055
10,853	Buildings not owned by Cardiff Council	3,033
41	Grants awarded (not Housing Grants)	10
15,148	Charged to Income and Expenditure Statement	8,098
	Funded by:	
(9,356)	Grants and Contributions	(7,388)
(5,792)	Borrowing, Receipts and Other Capital Resources	(710)
(15,148)		(8,098)

Notes to the Financial Statements

Significant capital expenditure contractual commitments

At 31 March 2019, the significant capital expenditure commitments scheduled for completion in 2019/20 and future years is shown below (£53.211 million 2017/18) and represented by the following:

	£000
Cardiff Living - New Housing	8,855
Courtney Road - New Housing	2,942
Senghenydd Road Cycle Superhighway	1,090
Cardiff Royal Infirmary Hub	615
Oakfield Primary School	532
Total	14,034

19. Financial Instruments

Financial Instrument Balances

The following categories of Financial Instruments (Assets and Liabilities) are included in the Balance Sheet. They arise as a result of the Council's Treasury Management activities as well as Financial Instruments issued to further service objectives. Further detail and where applicable a fair value, are shown in the sections below, including the method of determining fair value in accordance with accounting policies for Financial Assets and Liabilities, and consideration of the Business Model for holding investments. Creditors are shown separately in the respective notes rather than as financial instruments:

31 March 2018				31 March 2019		
Long Term £000	Short Term £000	Total £000		Long Term £000	Short Term £000	Total £000
0	34,000	34,000	Amortised Cost - Investments - Principal	0	69,000	69,000
0	33	33	Amortised Cost - Investments Accrued Interest	0	32	32
0	54,046	54,046	Amortised Cost - Cash and Cash Equivalents	0	20,141	20,141
0	11	11	Amortised Cost - Cash and Cash Equivalents Accrued Interest	0	21	21
0	88,090	88,090	Total Investments at Amortised Cost Included in Investments	0	89,194	89,194
13,996	0	13,996	Investments at Fair Value through Other Comprehensive Income	10,574	0	10,574
640	243	883	Loans	1,188	1,189	2,377
7,447	86,684	94,131	Other Debtors	8,595	95,322	103,917
8,087	86,927	95,014	Total Debtors	9,783	96,511	106,294
22,083	175,017	197,100	Total Financial Assets	20,357	185,705	206,062
(688,713)	(4,562)	(693,275)	Financial liabilities at amortised cost - Loans (Principal)	(717,700)	(4,221)	(721,921)
0	(8,878)	(8,878)	Financial liabilities at amortised cost - Loans Accrued Interest	0	(9,085)	(9,085)
(688,713)	(13,440)	(702,153)	Total Borrowings	(717,700)	(13,306)	(731,006)

Notes to the Financial Statements

Investments at amortised cost include:

- temporary investments deposited for various maturities with financial institutions. The fair value is deemed to be the carrying value (Level 2)

Investments at Fair Value through Other Comprehensive Income include:

- the Council's 100% shareholding in Cardiff City Transport Services Limited. The Council's shareholding is not listed on any quoted market, however accounting rules require a fair value to be estimated. The valuation estimate is based on the net worth of the company as per its latest set of financial accounts (Level 3). This is a change in valuation method, following a review of the validity and variability of the previous approach which considered market multipliers of earnings. Any valuation basis can fluctuate dependent on the company's performance and economic climate and so any accounting valuation should be used with caution. Any change in value is offset by a corresponding movement to the 'Financial Instruments Revaluation Reserve'; hence there is no impact on Council Tax payable. The fair value of the investment at 31 March 2019 is estimated to be £10.097 million (£13.630 million in 2017/18).
- various minority equity holdings in companies are included either at cost or at quoted prices where available.

The above are held or acquired for Council policy purposes and have been elected to be accounted for as Fair Value through Other Comprehensive Income.

Debtors include:

- loans to small to medium enterprises including those for town centre regeneration and car loans to eligible Council staff.
- grants, income due from service users, partners, deferred capital receipts to be received, offset by an impairment for credit losses, where applicable.

Borrowings Liabilities include:

- external borrowing undertaken to fund the long term capital expenditure and short term cash flow requirements. It includes Lender Option Borrower Option Loans (LOBO) which allow the lender to change the rate of interest at specified periods, allowing the Council to either accept the new rate or repay the loan before the contractual maturity date. The date of maturity for such instruments is assumed to be the contractual period to maturity rather than the next date that the lender could request a change in the rate. Where possible and viable, opportunities for early repayment are considered. The carrying amounts below also include accrued interest payable at 31 March 2019.

31 March 2018		Valuation Method - Level	31 March 2019		
Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000	
(640,000)	(922,218)	Public Works Loan Board Loans (PWLB)	Level 2	(669,314)	(969,502)
(51,638)	(73,508)	Lender Option Borrower Option Loans	Level 2	(51,637)	(74,647)
(10,515)	(8,919)	Welsh Government and other Loans , Bonds and Temporary Balances	Level 2	(10,055)	(8,881)
(702,153)	(1,004,645)	Financial Liabilities		(731,006)	(1,053,030)

The fair value of borrowing and financial liabilities is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

Notes to the Financial Statements

Fair value calculations use the following assumptions:

- For PWLB debt, the transfer or fair value shown in the table is based on new borrowing rates from the PWLB for equivalent loans at 31 March 2019. An exit price fair value of £1.142 billion is also calculated using early repayment discount rates which are lower than equivalent loan rates. The Council has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.
- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.
- No early repayment or impairment is recognised.

Financial Instrument Gains/Losses

The following table shows the gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments:

	Financial Liabilities		Financial Assets				Total	
	Liabilities at Amortised Cost		Amortised Cost		Investments at Fair Value through Other Comprehensive Income		2017/18 £000	2018/19 £000
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000		
Interest Payable & Similar Charges	31,781	32,176	0	0	0	0	31,781	32,176
Interest and Investment Income	0	0	(471)	(706)	0	0	(471)	(706)
(Gain)/loss arising on Revaluation or Disposal of Financial Assets	0	0	0	0	(305)	3,546	(305)	3,546
Net (gain) / loss for the year	31,781	32,176	(471)	(706)	(305)	3,546	31,005	35,016

Gains and losses include interest payable on borrowing, amounts receivable on investments, gains on disposal of investments and also movements from estimating changes in value of investments at fair value. No dividend was received in 2018/19 from Cardiff Bus (£0 in 2017/18).

Nature and Extent of Risks arising from Financial Instruments

The Council's activities in relation to financial instruments whether for treasury management purposes or service objectives expose it to a variety of risks. In undertaking its treasury management activities, the overriding objective is to minimise the risk of adverse consequences or loss, whilst at the same time not unduly constraining investment returns or unnecessarily incurring interest costs. Given the nature of investments, a trade-off between security, liquidity and yield cannot be avoided i.e. there is risk of default. This risk is enhanced when loans to external organisations are provided for service delivery objectives and indicators of significant impairment are considered at the balance sheet date.

Treasury management risks include credit and counterparty, liquidity and refinancing, interest rate, market value, exchange rate, fraud and regulatory risk. The Council has Treasury Management Practices to address and mitigate these risks. It has adopted the CIPFA Treasury Management Code of Practice and sets indicators to control key financial instrument risks.

Notes to the Financial Statements

Further details in relation to key risks are disclosed in the following sections where relevant.

Credit Risk

Risk that other parties may fail to pay amounts due to the Council. It arises from lending of temporary cash balances as part of the Council's Treasury Management Activities, from exposure to the Council's customers and from organisations to whom a loan has been provided.

An impairment for bad debt is made where there is deemed to be a risk of expected credit losses. The following table summarises the Council's main exposures to credit risk.

Credit Risk	Likelihood of Default	31 March 2018 £000	31 March 2019 £000																								
Deposits – banks, buildings societies	Deposits are placed only with banks and building societies that have Fitch minimum criteria of F1 (i.e. highest credit quality). Lending is restricted to a maximum amount and duration for each financial institution, also taking into account extent of public ownership and sovereign rating. A risk of non-recoverability applies to all of the Council's deposits, requiring rigorous monitoring of credit risk and credit criteria. The Council uses treasury management advisors who assist in this process. Using historic data adjusted for current financial market conditions and based on the level of counterparty exposure at 31 March 2019, the expected credit loss calculated on a historic risk of default basis is 0.02% or £14,000. This is minimal, so no provision for expected credit loss is recognised.	88,090	89,194																								
Car Loans	Repayments are recovered directly from employees pay and indemnity insurance is a condition of the loan. Default experience is minimal.	493	469																								
Loans to External Bodies	Includes loans to SME's. Where there is deemed to be a risk of non-repayment a provision or impairment is considered.	390	1,908																								
Customers	<p>The Council does not generally allow credit for customers and provision is made for non-payment based on the age profile of outstanding debt, adjusted for large invoices known to have been settled after balance sheet date and any other material factors that could affect the ultimate sum collectable.</p> <p>The impairment for bad debt in 2018/19 was based on the adjusted age profile disclosed in the following table.</p> <table border="1"> <thead> <tr> <th></th> <th>2017/18 £000</th> <th>2018/19 £000</th> </tr> </thead> <tbody> <tr> <td>Less than 1 year</td> <td>20,197</td> <td>15,998</td> </tr> <tr> <td>1 – 2 years</td> <td>798</td> <td>559</td> </tr> <tr> <td>2 – 3 years</td> <td>296</td> <td>430</td> </tr> <tr> <td>3 – 4 years</td> <td>90</td> <td>220</td> </tr> <tr> <td>4 – 5 years</td> <td>98</td> <td>69</td> </tr> <tr> <td>Over 5 years</td> <td>353</td> <td>277</td> </tr> <tr> <td>Total</td> <td>21,832</td> <td>17,553</td> </tr> </tbody> </table> <p>Other debt such as grant income due from government bodies and year-end accruals of income is considered to be 100% collectable and impairment for non-payment is not usually considered necessary.</p>		2017/18 £000	2018/19 £000	Less than 1 year	20,197	15,998	1 – 2 years	798	559	2 – 3 years	296	430	3 – 4 years	90	220	4 – 5 years	98	69	Over 5 years	353	277	Total	21,832	17,553	21,832	17,553
	2017/18 £000	2018/19 £000																									
Less than 1 year	20,197	15,998																									
1 – 2 years	798	559																									
2 – 3 years	296	430																									
3 – 4 years	90	220																									
4 – 5 years	98	69																									
Over 5 years	353	277																									
Total	21,832	17,553																									
Total		110,805	109,124																								

Notes to the Financial Statements

Liquidity and Refinancing Risk

This is the possibility that the Council may not have funds available to make payments or have to refinance a financial liability at disadvantageous interest rate or terms. The Council has ready access to funds from the financial markets and Public Works Loan Board in order to raise finance. Within its Treasury Management Strategy, limits are set on the proportion of its fixed rate loans maturing during specified periods. The amounts of fixed rate debt maturing in any period are disclosed in the following table:

31 March 2018 £000	Loans Outstanding	31 March 2019 £000
631,760	Public Works Loans Board	660,866
51,000	Market Lender Option Borrow Option (LOBO)	51,000
10,515	Welsh Government / Salix	10,055
693,275	Total	721,921
4,562	Under 12 months	4,221
3,286	12 months and within 24 months	1,207
12,870	24 months and within 5 years	15,500
35,412	5 years and within 10 years	41,980
155,500	10 years and within 20 years	161,000
166,000	20 years and within 30 years	168,000
210,689	30 years and within 40 years	212,689
99,956	40 years and within 50 years	112,324
5,000	50 years and within 60 years	5,000
693,275	Total	721,921

Currently, £24.000 million of the LOBO loans are subject to the lender having the right to change the rate of interest payable during the next financial year. The Council has the right to refuse the change, triggering early repayment and the need to re-finance. Details are shown in the following table:

£m	Potential Repayment Date	Option Frequency	Full Term Maturity
6	21/05/2019	6 months	21/11/2041
6	21/05/2019	6 months	21/11/2041
6	21/05/2019	6 months	23/05/2067
6	21/05/2019	6 months	23/05/2067
22	21/11/2020	5 years	23/11/2065
5	16/01/2023	5 years	17/01/2078

Interest Rate Risk

The possibility that financial loss might arise for the Council as a result of changes in interest rates. The main impacts of interest rate movements are set out below:

Variable affected by interest rate fluctuations	Impact of Variation	Actions to mitigate interest rate risk
Interest earned on variable rate investments	Interest rate rises will increase income credited to the Comprehensive Income and Expenditure Statement, while reductions may result in less income than budgeted.	Production and Council approval of a Treasury Management Strategy at the start of each financial year, setting limits for fixed and variable rate exposure.

Notes to the Financial Statements

Variable affected by interest rate fluctuations	Impact of Variation	Actions to mitigate interest rate risk
Interest paid on variable rate borrowings	If interest rates rise, lenders may exercise options to increase rates in a Lender Option Borrower Option loan potentially increasing the interest expense charged to the Comprehensive Income and Expenditure Statement, should the Council accept the higher rate.	Interest rate forecasts based on advice from treasury management advisors are built into the budget and monitored regularly throughout the year.
Fair value of fixed rate financial assets	Interest rate rises will have no material effect on fair value, hence fair value is not disclosed.	By borrowing and investing fixed rate, the Council aims to minimise the revenue impact of interest fluctuations to provide stability for planning purposes. Council borrowing is primarily at fixed rather than variable rates.
Fair value of fixed rate financial liabilities	Fair value will fall if interest rates rise. This will not impact on the Comprehensive Income and Expenditure Statement or Balance Sheet values for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.	

To give an indication of the Council's sensitivity to interest rate change, the table below indicates the estimated impact on the Comprehensive Income and Expenditure Statement had interest rates during 2018/19 been on average 1% higher with all other variables held constant.

Interest Rate Risk Income and Expenditure Account	£000
Increase in interest payable on borrowings	(162)
Increase in interest receivable on investments	449
Impact on Income and Expenditure Account	287
Increase in interest transferred to other balances and accounts	(168)
Net Income / (Expenditure)	119

Changes in Fair Value	£000
Decrease in Fair Value of Fixed Rate Investments	0
Decrease in Fair Value of Fixed Rate Borrowings	161,361

The impact of a 1% fall in interest rates may not have exactly the opposite effect, since financial instruments with calls may not be exercised by the lender or borrower.

Foreign exchange risk

The Council's exposure to loss arising from movements in exchange rates is minimal. Borrowing and investments are carried out only in sterling.

Price Risk

This is the possibility of the Council having financial gains or losses from movements in prices of financial instruments. Whilst the Council's approved Treasury Management policy allows investments in financial instruments such as bank certificates of deposit and Government bonds. The Council invests primarily in those instruments where the sum returned on maturity is the same as the initial amount invested. For service investment purposes, the Council has equity holdings of £17,000 (£30,000 in 2017/18) which are quoted on a recognised stock exchange at 31 March 2019.

The Council's 100% shareholding in Cardiff City Transport Services Ltd is not quoted on a recognised exchange and thus not subject to gains or losses from market price movements. A general shift of 5%

Notes to the Financial Statements

in the fair value (positive or negative) would result in a £505,000 gain or loss being recognised in the Movement in Reserves Statement.

20. Held for Sale Assets

31st March 2018 £000		31st March 2019 £000
80	Balance at 1 April	6,375
(80)	De-recognition	(5,500)
6,557	Reclassified to/(from) Held for Sale	1,695
(84)	Revaluation increases /(decreases) to RR*	0
(98)	Revaluation increases /(decreases) to SDPS**	0
6,375	Balance at 31 March	2,570

*Revaluation Reserve

** Surplus/Deficit on Provision of Services

21. Short Term Debtors

31 March 2018 £000		31 March 2019 £000
45,592	Central Government Bodies	44,485
16,939	Other Local Authorities & NHS Bodies	27,052
24,396	Other Entities and Individuals including Public Corporations	24,974
86,927	Total Short Term Debtors	96,511

22. Cash and Cash Equivalents

31 March 2018 £000		31 March 2019 £000
207	Cash	169
48,339	Bank (including cheque book schools)	5,072
5,511	Short-term deposit with banks and building societies	14,921
54,057	Total Cash and Cash Equivalents	20,162

In addition to the above, at 31 March 2019 the Council held £679,000 (£622,000 at 31 March 2018) on behalf of third parties, mainly Adult Services social care clients. This amount is not included on the balance sheet as this money does not belong to the Council.

23. Short Term Creditors

31 March 2018 £000		31 March 2019 £000
(12,608)	Central Government Bodies	(11,754)
(11,155)	Other Local Authorities & NHS Bodies	(19,641)
(64,165)	Other Entities and Individuals including Public Corporations	(75,277)
(87,928)	Total Short Term Creditors	(106,671)

24. Interests in Other Companies and Other Organisations

The Council had three wholly owned subsidiary companies which traded during 2018/19. The interest in Cardiff City Transport Services Ltd is consolidated into the Council's group accounts, on pages 95 to 112. The interests in the other organisations are considered immaterial in terms of both the turnover and the net assets of the group and have therefore been excluded from consolidation in 2018/19. The Council

Notes to the Financial Statements

does not depend upon these organisations for statutory service provision and it is not considered that they expose the Council to a material level of commercial risk.

Cardiff City Transport Services Ltd. (Cardiff Bus) (company number 02001229)

Cardiff City Transport Services Ltd. was set up in accordance with the provisions of the Transport Act 1985 to run the Council's municipal bus operation. The company's operating results, which include any subsidiaries, are summarised below:

31 March 2018 Final * £000		31 March 2019 £000
(30,398)	Turnover and other income	(32,959)
32,750	Operating and other expenditure	34,219
2,352	Net (Profit) / Loss before Taxation	1,260
(439)	Taxation	0
1,913	(Profit) / Loss after Taxation	1,260

A summary of the company's financial position is as follows:

31 March 2018 Final £000		31 March 2019 £000
22,844	Bus and other operating assets	20,103
2,882	Current Assets	2,303
(5,023)	Less Current Liabilities	(2,779)
	Creditors: Amounts falling due after more than one year	
(6,335)	Provisions & Long term liabilities	(7,658)
(1,044)	Deferred Taxation	(604)
(3,584)	Pension Liability	(1,268)
9,740	Total Assets less Liabilities	10,097
	Represented by:	
4,618	Share Capital	4,618
1,981	Retained Earnings	2,316
3,141	Revaluation Reserve	3,163
9,740	Net Worth	10,097

In 2018/19 the Council made payments totalling £10.366 million to Cardiff Bus (£8.773 million in 2017/18), of which £8.958 million related to concessionary fares payments (£8.263 million in 2017/18). The Council also received income of £69,000 (£62,000 in 2017/18). During 2017/18 and 2018/19 no dividend was paid to the Council.

At 31 March 2019, Cardiff Bus had inter-company balances with the Council as follows: debtors £144,000 (£133,000 in 2017/18) and creditors £45,000 (£28,000 in 2017/18).

The accounts for year ended 31 March 2019 are in draft status. The company's auditors are Deloitte. The 2017/18 figures have been updated for Cardiff Bus final accounts, as these were not available at 30 September 2018.

Cardiff Business Technology Centre Ltd. (CBTC) (company number 02074331)

The company's principal activity is to promote and assist in the development of new and existing high technology companies through the provision of business/incubator premises with a high level of support services. The Council's guarantee to CBTC is to pay costs not exceeding £10 in the event of the company being wound up. The most recent operating results are shown as follows:

Notes to the Financial Statements

31 March 2018 £000		31 March 2019 £000
68	Net (Profit) / Loss before Taxation	8
(64)	Less: Taxation	(1)
4	(Profit) / Loss after Taxation	7

31 March 2018 £000		31 March 2019 £000
775	Total assets less current liabilities	759
(51)	Provision for taxation	(46)
724	Total Assets less Liabilities	713
	Represented by:	
274	Retained Profit	293
450	Revaluation Reserve	420
724	Net Worth	713

During 2018/19, the Council received income of £0 (£0 in 2017/18) from CBTC. At 31 March 2019 CBTC owed the Council £0 (£0 at 31 March 2018) and was owed £0 (£0 at 31 March 2018).

The company's auditors are Gerald Thomas.

Atebion Solutions Ltd. (company number 10411758)

Atebion Solutions Ltd. is wholly owned by the Council to deliver procurement and commercial services to the public sector and it commenced trading on 1 March 2018.

£000		£000
(38)	Net (Profit) / Loss before Taxation	29
7	Less: Taxation	0
(31)	(Profit) / Loss after Taxation	29

£000		£000
31	Total assets less current liabilities	18
0	Creditors: falling due after more than one year	(16)
31	Total Assets less Liabilities	2
	Represented by:	
31	Retained Profit	2
31	Net Worth	2

During the year the Council made payments of £19,967 (£0 in 2017/18) to Atebion Solutions Ltd. and received £112,666 of income from the company (£0 in 2017/18). The Council accrued income in connection with Atebion Solutions Ltd. totalling £60,000 (£113,687 in 2017/18).

The company's auditors are Baldwins.

Cardiff Business Council Ltd. (company number 08650575)

Cardiff Business Council was a company set up 2013/14 to grow Cardiff's private sector by marketing and promoting the Cardiff Capital Region as a world-class destination for business investment and tourism. This company was closed in December 2017 and an application has been made to Companies House to deregister the company.

Notes to the Financial Statements

25. Provisions

	Balance 1 April 2018 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2019 £000	Not later than one year £000	Later than one year £000
Insurance & MMI Scheme	(8,468)	2,874	(5,071)	(10,665)	(4,798)	(5,867)
Ferry Road Landfill	(8,462)	185	0	(8,277)	(195)	(8,082)
Lamby Way Landfill	(11,230)	391	0	(10,839)	(507)	(10,332)
City Deal	(84)	0	(145)	(229)	0	(229)
Other	(830)	657	(674)	(847)	(600)	(247)
Total	(29,074)	4,107	(5,890)	(30,857)	(6,100)	(24,757)

Insurance - represents sums set aside to meet the cost of claims received, but not yet settled. The Council operates a system of self-insurance which provides cover either in part or in total for a considerable number of the Council's insured risks. Major risks including property, liability and motor vehicle are partially self-funded whereas full cover is provided for secondary risks such as 'all-risks'.

Municipal Mutual Insurance (MMI) Scheme of arrangement levy - represents a scheme that was triggered on 13 November 2012 and this will involve the claw back of a percentage of previously paid claims as well as a percentage of future claims. Further details are provided in note 31.

Landfill aftercare - reflects the financial obligations to address restoration and aftercare for Lamby Way and Ferry Road sites in accordance with initial permits for the disposal of waste. These obligations can stretch for over 60 years with potentially significant but uncertain capital and revenue expenditure.

Cardiff Capital Region City Deal (CCRCD) – primarily represents timing differences in relation to corporation tax.

Other – includes a Family Guarantor provision to aid the transfer of families from temporary accommodation into permanent homes. The provision included in previous years for the Friary building has been removed as it was no longer required following the Council relinquishing the lease.

26. Pension Strain

In addition to the costs of redundancy payments made to leavers, in some cases the Council also incurs costs relating to pension strain which it is required to pay over to the Pension Fund when individuals leave via the Severance Scheme.

This applies only to leavers who are members of the Local Government Pension Scheme and aged 55-59 at the date they leave employment with the Council. The pension strain cost to the Council is the amount it has to pay over to the Pension Fund to compensate for the lost pension contributions for these staff.

The Council has an arrangement in place with the Cardiff and Vale of Glamorgan Pension Fund whereby it pays the amounts due in respect of pension strain over a 5 year period in order to spread the impact of these costs. The following table shows the level of pension strain in the balance sheet.

31 March 2018 £000	Pension Strain	31 March 2019 £000
(1,884)	Pension Strain due within 1 year	(1,769)
(2,794)	Pension Strain due later than 1 year	(2,560)
(4,678)	Total Pension Strain	(4,329)

Notes to the Financial Statements

27. Deferred Liabilities

These are amounts paid in advance by external bodies towards expenditure in future years.

	Balance 1 April 2018	Utilised/ Released in year	Transfers to Deferred Liabilities	Balance 31 March 2019	Not later than one year	Later than one year
	£000	£000	£000	£000	£000	£000
Commuted Maintenance Sums	(9,039)	1,170	(349)	(8,218)	(523)	(7,695)
Rent Smart Wales Income in Advance	(6,102)	972	0	(5,130)	(1,125)	(4,005)
Total Deferred Liabilities	(15,141)	2,142	(349)	(13,348)	(1,648)	(11,700)

28. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve represents the capital receipts available to finance future capital expenditure or to repay historical capital incurred.

2017/18 £000		2018/19 £000
7,205	Balance as at 1 April	21,320
	Movements during Year:	
20,857	Sale of Land, Buildings and other assets	7,246
3,765	Sale of Council Dwellings	1,838
196	Recoupments of grant/other	148
24,818		9,232
(10,682)	Finance Capital Expenditure	(22,037)
(21)	Provide for Repayment of External Loans	(27)
(10,703)		(22,064)
21,320	Balance as at 31 March	8,488

29. Unusable Reserves

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its non-current assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

The Reserves contain only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2017/18 £000		2018/19 £000
258,922	Balance as at 1 April	255,582
2,262	Upward revaluation of assets	59,391
(2,489)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(24,225)
(227)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	35,165

Notes to the Financial Statements

(2,357)	Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)	(1,506)
(756)	Accumulated gains on assets sold or scrapped	(5,578)
(3,113)	Amount written off to the Capital Adjustment Account	(7,083)
255,582	Balance as at 31 March	283,664

Capital Adjustment Account

The Capital Adjustment Account reflects differences between normal accounting practice and statutory requirements. The Account is credited with the amounts used as finance for capital expenditure. It contains accumulated gains and losses on Investment Properties, amounts set aside to repay external loans and also revaluation gains accumulated on non-current assets before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Note 1 provides details of the source of all of the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18 £000		2018/19 £000
876,075	Balance as at 1 April	846,660
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(60,943)	Charges for depreciation and impairment of non-current assets	(59,547)
6,876	Reverse previous impairment on revaluation	16,747
(41,601)	Revaluation losses on Property, Plant and Equipment	(45,078)
(949)	Amortisation of intangible assets	(961)
(5,792)	Expenditure on REFCUS	(3,630)
(28,380)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,527)
(130,789)		(95,996)
2,357	Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)	1,506
(128,432)	Net written out amount of the cost of non-current assets consumed in the year	(94,490)
	Capital financing applied in the year:	
10,682	Capital Receipts	22,037
10,407	Direct Revenue Financing	11,120
50,734	Grants and contributions	49,105
35,365	Prudent Revenue Provision	38,048
21	Capital receipts to provide for repayment of external loans	28
(65)	Reduction in loan debtors	(39)
107,144		120,299
(2,464)	Movements in the value of Investment Properties	589
0	Movement in the value of Held for Sale assets	0
852,323	Balance as at 31 March	873,058

Notes to the Financial Statements

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. The Council does not treat these gains as usable for financing new capital expenditure until they are realised.

2017/18 £000		2018/19 £000
2,038	Balance as at 1 April	4,511
4,500	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	500
(2,027)	Transfers to the Capital Receipts Reserve upon receipt of cash	(3)
4,511	Balance as at 31 March	5,008

The balance in 2018/19 relates primarily to the deferred payment from disposal of land at Central Square.

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments held as Financial Instruments that are elected to be classified as Fair Value through other Comprehensive Income i.e. those held for service objectives or policy purposes. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2017/18 £000		2018/19 £000
13,235	Balance as at 1 April	13,540
305	(Downwards) / Upwards revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(3,546)
13,540	Balance as at 31 March	9,994

The majority of the balance relates to the Council's shareholding in Cardiff Bus which is not listed on any quoted market, and for which a valuation is estimated to comply with accounting for Financial Instruments. Any change in value within the Council's accounts does not have an impact on the Council Tax payer, revenue budget or cash flow in any one year as any movement in value of the asset is offset in this reserve. Any valuation should be treated with care as it is for accounting purposes only.

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require a benefit earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Notes to the Financial Statements

2017/18 £000		2018/19 £000
(591,371)	Balance as at 1 April	(647,960)
(33,582)	Actuarial gains or losses on pensions assets and liabilities	21,551
(67,010)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(75,484)
(44)	Reversal of amounts accrual in respect of pension strain for future years	347
44,032	Employer's pensions contributions and direct payments to pensioners payable in the year	48,238
15	Adjustment re. Joint Committee	(14)
(647,960)	Balance as at 31 March	(653,322)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the Council Fund Balance is neutralised by transfers to and from the Account.

2017/18 £000		2018/19 £000
(8,252)	Balance as at 1 April	(9,333)
(1,081)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	432
(9,333)	Balance as at 31 March	(8,901)

30. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/19:

2017/18 £000		2018/19 £000
	Credited to Taxation and Non Specific Grant Income	
(312,736)	Revenue Support Grant	(325,564)
(115,480)	Non-Domestic Rates	(115,383)
(42,913)	Capital Grants	(45,518)
(7,821)	Developers' Contributions	(3,587)
(478,950)	Total	(490,052)
	Credited to Services (Revenue Grants & Contributions)	
(272,330)	Central Government Bodies	(260,905)
(18,377)	Other Local Authorities & NHS Bodies	(55,235)
(3,288)	Other Entities and Individuals including Public Corporations	(4,020)
(293,995)	Total	(320,160)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

Notes to the Financial Statements

31 March 2018 £000	Revenue Grants and Contributions Receipts in Advance	31 March 2019 £000
(5,599)	Central Government Bodies	(11,110)
(35)	Other Local Authorities & NHS Bodies	0
(850)	Other Entities and Individuals including Public Corporations	(1,302)
(6,484)	Total	(12,412)

31 March 2018 £000	Capital Grants Receipts in Advance	31 March 2019 £000
(412)	Central Government Bodies	(695)
0	Other Local Authorities & NHS Bodies	0
0	Other Entities and Individuals including Public Corporations	0
(412)	Total	(695)

Capital Expenditure and other Contributions Receipts in Advance:

31 March 2018 £000		31 March 2019 £000
(11,843)	Balance as at 1 April	(9,961)
(9,290)	Contributions received during the year	(8,630)
10,862	Contributions applied to expenditure during the year	3,781
310	Reclassification	325
(9,961)	Balance as at 31 March	(14,485)

This represents amounts received from predominantly developers and other external sources, which are yet to be used to fund specific future expenditure.

31. Contingent Assets and Liabilities

Assets

The Council holds a proportion of equity in a number of properties arising primarily from the affordable housing contribution that developers provide on new build developments. The equity proportions range from 20% to 40%, with the buyer nominated by the Council providing the balance of the resources to purchase the property. These properties were aimed at first time buyers who could not afford to buy a home on the open market. When the owner of the property wishes to sell their home, the Council have the first opportunity to nominate a purchaser from the assisted home ownership waiting list. If there is no nomination, the owner is free to sell on the open market and the Council is entitled to its relevant proportion of the market value of disposal in accordance with the charge on the property. This is treated as a capital receipt in the year that it is received. The estimated total value of equity at 31 March 2019 is £4.562 million.

In March 2015, the Council approved a request from Glamorgan County Cricket Club to write off 70% of a £6.534 million loan balance due to the Council and restructure remaining sums in line with other major creditors. This was actioned on 21 December 2015. A review during 2018/19 identified positive indications of additional income to the Club in 2019/20 and beyond as a result of changes in tournaments and in the national game. However until then, the risks of recovery of sums due still remain and the balance due of 30% (£1.960 million) remains 100% impaired. Any balances due are not shown in the financial statements but are identified as a contingent asset to reflect the amounts potentially receivable in accordance with the proposed restructured loan. Repayments are to begin in 2019.

There are two outstanding VAT claims that could be due to the Council in the future, subject to HMRC reviews. A claim submitted for cultural exemption at the castle is at a more advanced stage, and if successful will result in income of £589,000.

Notes to the Financial Statements

In respect to an assessment received from HMRC for purportedly under-declared landfill tax assessment, associated penalties and interest, the Council has made a payment on account of £2.452 million to HMRC during 2018/19. This is not an admission of liability and if the assessment is changed or cleared, then this will be refunded by HMRC.

Liabilities

As at 31 March 2019 five claims existed in excess of £10,000 against the Council for which there is no insurance cover. The claims include unfair dismissal, disability and race discrimination, and breach of contract. The potential liability in respect of the claims is estimated to be £195,000 and the Council is resisting liability.

The former Authorities of South Glamorgan County Council, Cardiff City Council, Mid Glamorgan County Council and Taff Ely Borough Council are creditors of Municipal Mutual Insurance (MMI) Ltd and are legally bound by the Scheme of Arrangement. MMI ceased taking new business on 30 September 1992. The scheme allows new claims to be made against MMI and outstanding claims with MMI to be settled. The Council are liable to pay a percentage of claims previously settled by MMI and contribute to the cost of future settled claims. The Council's share of residual exposure is £2.440 million. The accounts reflect a provision of £139,150 with £786,777 held in an earmarked reserve towards any liability. This is considered prudent based on most recent actuarial advice, however, this is subject to the outcome of settled claims.

The Council has entered into a number of contracts for services involving the transfer of Council employees to the new service provider under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). Admission agreements with the new employers allow transferred employees to remain in membership of the Cardiff and Vale of Glamorgan Pension Fund. In the event that a contractor fails to meet its obligations to the Pension Fund as set out in the admission agreement, the Council acts as guarantor for the accrued pension liabilities.

The Council and HMRC are continuing discussions with a view to resolving a purportedly under-declared landfill tax assessment received by the Council from 1 April 2015, for waste tipped at Lamby Way Landfill site. HMRC assess that some materials disposed of should have had the standard rate of tax applied rather than a lower rate, the difference in tax rates being £80 per tonne. Given this is a specialist and technical area, the Council has engaged PricewaterhouseCoopers environmental tax specialists to support the Council's approach to demonstrating that materials tipped were eligible for lower rate tax. Work is being undertaken to understand the quantity and nature of materials disposed of to demonstrate that the 'qualifying fines' regime does not apply. Subject to this, and relevant HMRC rules, there is the risk that the Council may be required to pay tax, as well as a penalty and interest on under declared tax. In the event of assessments being upheld, the Council would consider the merits of an appeals or mitigation process. Given the technical nature of the assessment, it is not possible to quantify or provide a reliable estimate of any liability at this stage and so no provision is created in the accounts as at 31 March 2019.

32. Notes to Cash Flow Statement

Adjust net surplus or deficit on the provision of services for non-cash movements

2017/18 £000		2018/19 £000
(96,682)	Depreciation, impairment & amortisation	(88,876)
(23,022)	Charges made for retirement benefits (IAS19) less employers contributions	(26,899)
(28,380)	Carrying amount of non-current assets sold or derecognised	(3,527)
(46)	Increase/(decrease) in stock	137
386	Increase/(decrease) in debtors	17,909
(5,750)	(Increase)/decrease in creditors	(18,186)
3,056	Other non-cash items affecting net surplus or deficit on provision of services	6,230
(150,438)		(113,212)

Notes to the Financial Statements

Items in net surplus/ deficit on provision of services that are investing and financing activities

2017/18 £000		2018/19 £000
(4,800)	Net gain/(loss) on sale of non-current assets	9,728
50,734	Capital grants/contributions recognised in CI&E	49,105
0	Other cash items which effect investing or financing activities	0
45,934		58,833

33. Events After the Reporting Period

There are no events after the reporting period to report.

34. Date of Authorisation of the Accounts for Issue

This Statement of Accounts was authorised for issue on xx September 2019 by the Corporate Director Resources. Post Balance Sheet events have been considered up to this date.

Housing Revenue Account

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Notes to Housing Revenue Account

The Local Government and Housing Act 1989 places a statutory duty on local authorities to maintain a separate account for the costs associated with the management and maintenance of Council dwellings. This is termed the Housing Revenue Account (HRA).

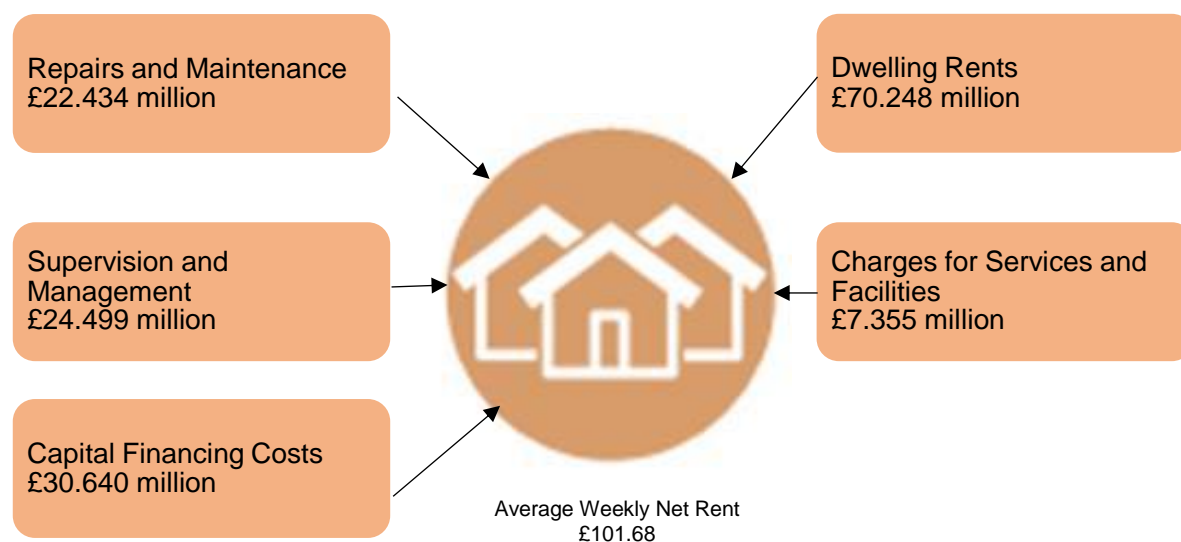
A 30 year business plan and financial model, completed on an annual basis for submission to Welsh Government, provides financial forecasts and performance and service information for the HRA. The plan includes our approach to maintaining the Welsh Housing Quality Standards, energy efficiency, remodelling homes, estate regeneration and fire safety works.

With over 7,900 people currently on the combined housing waiting list, the plan includes delivery of 1,000 new affordable Council homes in the city by 2022 and a further 1,000 over the longer term. Other objectives include support for people in vulnerable situations, including homelessness and an integrated approach to locality based care to enable people to continue to live independently at home.

Key expenditure and income items include:

Expenditure

Income

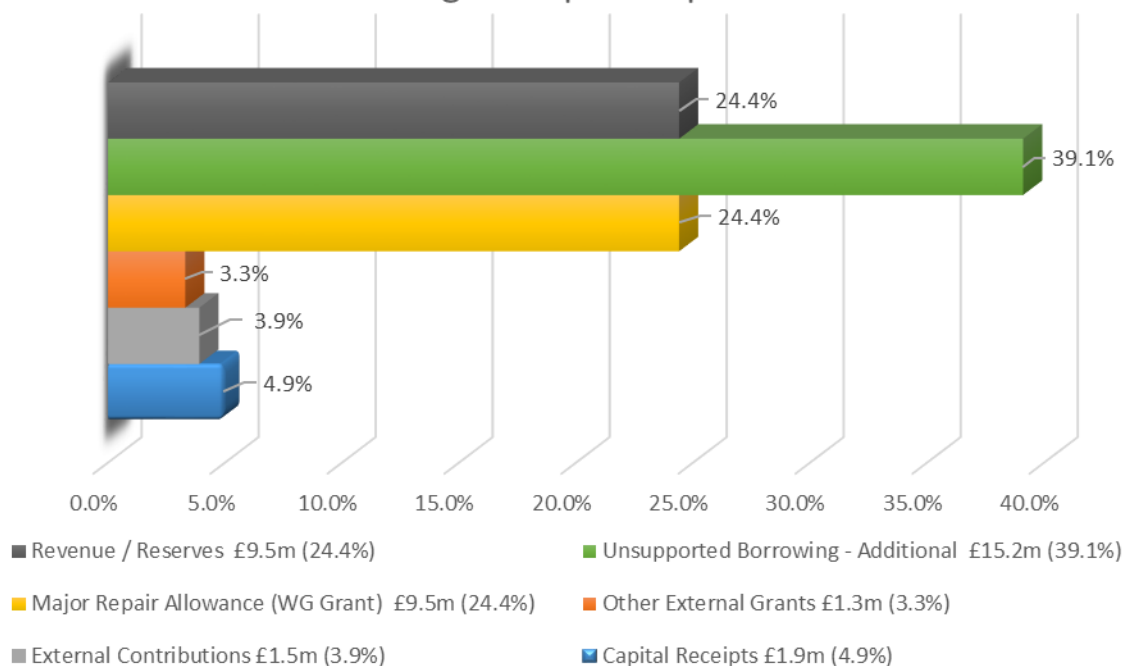


Our housing stock is valued in the accounts at £594.881 million. Dwellings were revalued in 2018/19 with the vacant possession value deemed to be £1.574 billion. In accordance with the valuation requirements, this was adjusted downwards by an adjustment factor of 37% in order to show the economic cost of providing social housing at less than market rent. Valuations are updated at least every three years.

The Capital Financing Requirement is a measure of debt in relation to the HRA. At 31 March 2019, this stands at £279.245 million. All borrowing must be affordable both now and in the future as it needs to be repaid with interest.

Capital expenditure represents money spent on improving, acquiring and enhancing assets. During the year we spent £38.877 million on estate regeneration, housing stock remodelling, the fabric of dwellings, disabled adaptations and on the development of new Council Housing to meet new build targets.

Funding of Capital Expenditure



During 2018/19, some key performance indicators included:

- Void property levels were 1.7% as a percentage of overall stock (1% 2017/18)
- 99% of reported graffiti cleared in line with targets (100% 2017/18)
- 99% of over 6,000 clean and clear jobs completed within 10 working days (99% 2017/18)
- 98% of urgent antisocial behaviour cases contacted within 1 working day (99% 2017/18)
- 98% of emergency repairs completed on time (98% 2017/18)
- 93% of responsive repairs carried out by the in-house workforce. (94% 2017/18)

Tenant participation in shaping and delivering services is welcome and encouraged in numerous ways including a dedicated Tenant Participation team, conferences, tenants' voice meetings, community action days, information provision at the Citizen Hubs, the Tenants' Times publication and other social media.

A recent tenant satisfaction survey showed that:

- 89% of tenants were satisfied with the way we deal with repairs (92% 2017/18)
- 89% of tenants were satisfied with their neighbourhood as a place to live (90% 2017/18)
- 95% of tenants were satisfied that they were kept informed about things affecting them as tenants. (95% 2017/18)

Notes to Housing Revenue Account

The HRA Income and Expenditure Account shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

2017/18 £000		Note	2018/19 £000
20,027	Repairs and maintenance		22,434
22,751	Supervision and management		24,499
93	Rents, rates, taxes and other charges		156
701	Provision for bad and doubtful debts		1,327
10,164	Depreciation, impairment and revaluation losses of non-current assets	8	(5,835)
55	Sums directed by the Welsh Government that are expenditure in accordance with the Code	9	0
45	Debt management costs		42
53,836	Total Expenditure		42,623
(66,107)	Dwelling rents	2	(70,248)
(80)	Non-dwelling rents		(50)
(6,709)	Charges for services and facilities		(7,355)
(72,896)	Total Income		(77,653)
	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		
(19,060)			(35,030)
	HRA share of the operating income and expenditure included in the Comprehensive Income & Expenditure Statement:		
(2,485)	(Gain)/loss on sale of HRA non-current assets		(1,271)
11,779	Interest payable and similar charges		11,716
0	Changes in fair value of investment properties		(23)
(1)	Interest and Investment income		(1)
(11,855)	Capital grants and contributions applied		(12,318)
(21,622)	(Surplus)/Deficit for year on HRA Services		(36,927)

Movement on HRA Balance

2017/18 £000		Note	2018/19 £000
(8,438)	Balance on the HRA at the end of the previous year		(8,983)
(21,622)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(36,927)
21,940	Adjustments between accounting basis and funding basis under regulations	1	39,655
318	Net (increase)/decrease before transfers to or from reserves		2,728
(863)	Transfers to/(from) earmarked reserves		(2,728)
(545)	Increase or decrease in the year on the HRA		0
(8,983)	Balance on the HRA at the end of the current year		(8,983)

Notes to Housing Revenue Account

1. Adjustments between Accounting Basis and Funding Basis Under Regulations

2017/18 £000		Note	2018/19 £000
	Adjustments primarily involving the Capital Adjustment Account:		
	<u>Reversal of items debited or credited to the HRA Income and Expenditure Statement:</u>		
9,699	Charges for depreciation, impairment and revaluation of non-current assets	8	10,560
268	Revaluation losses of non-current assets	8	(16,523)
(12)	Reverse previous impairment on revaluation	8	(35)
208	Amortisation of intangible assets	8	163
0	Movement in the market value of investment properties		(23)
(11,855)	Capital grants and contributions applied		(12,318)
55	Sums directed by Welsh Government	9	0
1,526	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		605
(11,112)	Prudent Provision for the financing of capital investment		(11,413)
(7,633)	Capital expenditure charged against the HRA		(9,469)
51	Credit for disposal costs that qualify to be met from the resulting capital receipts		20
	Adjustments involving the Revaluation Reserve:		
(4,010)	Non-current assets written off as part of the gain/loss on disposal to the HRA Income & Expenditure Account		(1,876)
	Adjustments involving the Pensions Reserve:		
4,038	Net Retirement Benefits per IAS19		4,496
(3,273)	Employers Contributions to pension schemes		(3,982)
119	Pension Strain Accrual – future years		0
	Adjustments involving the Accumulated Absences Account:		
(9)	Amount by which officer remuneration charged to the HRA Income & Expenditure Account on an accruals basis is different from remuneration chargeable in accordance with statutory requirements		140
(21,940)	Total Adjustments		(39,655)

2. Rental Income

This is the total rent income due for the year after allowance is made for voids etc. Vacancies accounted for 1.58% of the total potential rental income (1.20% in 2017/18). Average rents were £101.68 per week (£95.27 in 2017/18) based on a 52 week year.

3. Rent Arrears, Service Charge Arrears and Bad Debt Provision

The following sums were due from tenants:

Notes to Housing Revenue Account

31 March 2018			31 March 2019	
Arrears £000	Bad debt provision £000		Arrears £000	Bad debt provision £000
		Rent Arrears		
3,588	2,753	Dwellings	4,618	3,465
40	40	Leasehold properties	36	36
253	253	Hostels	345	345
3,881	3,046	Total Rent Arrears	4,999	3,846
		Other		
100	60	Service charges	116	70
441	441	Tenants recoverables	479	479
541	501	Total Other Arrears	595	549
4,422	3,547	Total	5,594	4,395

During 2018/19 a number of old debts totalling £424,533 were written off as irrecoverable (£298,905 in 2017/18).

4. Pension Costs

In accordance with International Accounting Standards 19 – Employee Benefits (IAS 19) the amount included within Supervision and Management in respect of employee costs includes the current service cost for pensions. In order that the bottom line pension cost borne by the HRA equals the total employer's contributions paid to the Pension Fund in the year plus any discretionary benefits payable to ex-housing staff, a transfer has been made to the Pensions Reserve as follows:

2017/18 £000		2018/19 £000
4,038	Current service cost	4,496
(3,273)	Cost of employer's contributions plus discretionary benefits	(3,982)
119	Pension Strain Accrual - Future Years	0
884	Net transfer to Pensions Reserve	514

No attempt has been made to apportion a share of the pensions interest cost and expected return on pensions assets to the HRA as there is no valid basis of apportionment.

5. Housing Stock

The Council's housing stock is shown below:

31 March 2018		31 March 2019
7,205	Houses	7,231
628	Bungalows	629
5,082	Flats/Bedsits	5,085
169	Maisonettes	169
352	Retirement complexes	352
13,436	Total	13,466

The Council also owns two hostels, providing the following accommodation:

31 March 2018		31 March 2019
9	Bed spaces in hostels	36
49	Flats in hostels	49
58	Total	85

Notes to Housing Revenue Account

6. Capital Expenditure and Capital Financing

2017/18 £000		2018/19 £000
273,882	Opening Capital Financing Requirement	266,709
	<u>Capital Expenditure:</u>	
24,729	Property , Plant and Equipment	38,859
38	Intangible assets including intangible AUC	0
0	Investment Properties	18
55	Expenditure on REFCUS	0
2,159	Appropriation of land	8,780
	<u>Sources of Finance:</u>	
(3,558)	Capital Receipts	(1,920)
(11,855)	Government grants and other contributions *	(12,319)
(7,633)	Direct revenue contributions and reserves	(9,469)
(11,108)	Prudent revenue and capital provision for loan repayment	(11,413)
266,709	Closing Capital Financing Requirement	279,245
316,554	Debt Cap at 31 March	0
49,845	Headroom	N/A
	Explanation of Movements in Year:	
(7,171)	Increase / (decrease) in underlying need to borrow (unsupported by government financial assistance - relating to previous years)	12,536
(7,171)	Movement in Capital Financing Requirement	12,536

* £9.514 million (£9.532 million in 2017/18) of Major Repairs Grant was received from Welsh Government and applied in the year.

Following the exit from the housing subsidy system in 2015/16 all borrowing for the HRA is unsupported. As part of the exit, the Council was required to adhere to a debt cap set by Welsh Government. This was based on the Housing Capital Financing Requirement (CFR) calculation. The cap was removed by Welsh Government during 2018/19.

7. Capital Receipts

Proceeds from the disposal of HRA Assets during 2018/19 were as follows:

- Council Dwellings and Home Purchase Contributions £1.838 million (£3.766 million in 2017/18)
- Land £0.366 million (£0.108 million in 2017/18)

8. Depreciation, Impairment and Revaluation Charged

Depreciation and impairment was charged on HRA assets as shown in the table below. Such charges to the HRA and changes in valuation do not have any impact on the amount required to be collected from rents as all such adjustments to non-current assets are required to be neutralised from capital reserves.

2017/18 £000		2018/19 £000
9,071	Council dwellings	10,040
203	Land and buildings	202
486	Vehicles, plant & equipment, intangibles and AUC	481
9,760	Total Depreciation , Amortisation and Impairment	10,723
26	Council dwellings	(16,962)
257	Land and buildings	404
121	Vehicles, plant & equipment, intangibles and AUC	0
404	Total Revaluation	(16,558)
10,164	Total	(5,835)

Notes to Housing Revenue Account

9. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

2017/18 £000		2018/19 £000
	Expenditure:	
55	Buildings not owned by the Council	0
55	Charged to Income and Expenditure Account	0
	Funded by:	
0	Grants and Contributions	0
(55)	Borrowing, Receipts and other Capital Resources	0
(55)		0

Group Accounts



Introduction

The group accounts that follow comply with the requirement of the 2018/19 Code, which states that a local authority with material interests in subsidiaries, associates and joint ventures should prepare group accounts in addition to its single entity accounts. These accounts consolidate the operating results and balances of the County Council of the City and County of Cardiff and its subsidiary Cardiff City Transport Services Ltd (Cardiff Bus) which is a wholly owned subsidiary with limited liability. At the point of drafting these accounts, the accounts for Cardiff Bus had been audited but not certified.

The Council has interests in the following subsidiaries: Cardiff Business Technology Centre (CBTC), Cardiff Business Council and Atebion Solutions Ltd. The interests in these organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the Council to a material level of commercial risk. Therefore they have been excluded from the consolidation in 2018/19. Details of the Council's interests in these organisations are included in note 24 to the Core Financial Statements.

Basis of Consolidation

The group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council and Cardiff City Transport Services Ltd and its subsidiaries. Inter-group transactions and balances between the Council and its subsidiary have been eliminated in full.

Accounting policies

The financial statements in the group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies with the following additions and exceptions:

1. Retirement Benefits

Cardiff City Transport Services Ltd. operates two defined benefit funded pension schemes which it accounts for in accordance with FRS102. The level of contributions made to the schemes and the cost of contributions included in the financial statements are based on the recommendations of independent actuaries. Accounting policies consistent with those of the Council have been adopted although the financial assumptions used may differ. Both these schemes are now closed to new members. The company also has a money purchase pension scheme for new employees. Pension costs charged to the profit and loss account represent the contributions payable by the group to the pension scheme during the year.

2. Value Added Tax

VAT paid by other group entities is accounted for in the Group Comprehensive Income and Expenditure Statement to the extent that it is irrecoverable from HM Revenue and Customs.

3. Goodwill

The Council's interest in its subsidiary dates back to its inception and therefore there is no goodwill to be accounted for.

4. Charges to Income and Expenditure for Non-Current Assets

A charge is made from the revaluation reserve of the subsidiary company to the group income and expenditure reserve for the difference between depreciation charged on the current value of non-current assets held by the subsidiary and what would have been the historical cost depreciation for the year.

5. Prior Period Adjustments

The 2017/18 figures in the Council's note 24 Interest in Other Companies and the group accounts have been restated for 2017/18 Cardiff Bus final accounts, as these were not available at 30 September 2018.

Group Comprehensive Income and Expenditure

2017/18				Note	2018/19		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
13,455	(3,164)	10,291	Corporate Management	9,029	(941)	8,088	
71,446	(37,654)	33,792	Economic Development	80,287	(40,445)	39,842	
375,118	(90,253)	284,865	Education & Lifelong Learning	366,787	(92,893)	273,894	
8,186	(1,690)	6,496	Governance & Legal Services	6,938	(1,067)	5,871	
9,134	(6,484)	2,650	Harbour Authority	9,071	(6,160)	2,911	
53,836	(72,896)	(19,060)	Housing Revenue Account	41,351	(76,381)	(35,030)	
248,468	(200,324)	48,144	Housing and Communities	240,878	(194,487)	46,391	
137,238	(77,869)	59,369	Planning , Transport and Environment	163,592	(74,767)	88,825	
37,300	(14,854)	22,446	Resources	39,103	(15,278)	23,825	
184,095	(26,541)	157,554	Social Services	232,875	(60,829)	172,046	
2,701	(5,813)	(3,112)	Summary Revenue Account	3,688	(5,514)	(1,826)	
1,140,977	(537,542)	603,435	Net Cost of Services	1,193,599	(568,762)	624,837	
31,216	0	31,216	Police and Crime Commissioner for South Wales	33,499	0	33,499	
310	0	310	Community Council Precepts	367	0	367	
17,115	0	17,115	Levies & Contributions	17,439	0	17,439	
29,135	(27,165)	1,970	(Gain)/loss on sale of non-current assets	9,106	(9,958)	(852)	
77,776	(27,165)	50,611	Other Operating Expenditure	60,411	(9,958)	50,453	
31,781	0	31,781	Interest Payable on debt	32,176	0	32,176	
209	0	209	Interest element of finance leases	215	0	215	
16,535	(1,761)	14,774	Interest on net defined liability/(asset)	16,176	(11)	16,165	
0	(700)	(700)	Interest & Investment Income	0	(972)	(972)	
2,502	(38)	2,464	Change in fair value of Investment Properties	5,066	(5,655)	(589)	
51,027	(2,499)	48,528	Financing and Investment Income & Expenditure	53,633	(6,638)	46,995	
0	(50,734)	(50,734)	Recognised Capital Grants & Contributions	0	(49,105)	(49,105)	
0	(312,736)	(312,736)	Revenue Support Grant	0	(325,564)	(325,564)	
0	(115,480)	(115,480)	Non-Domestic Rates	0	(115,383)	(115,383)	
2,070	(191,095)	(189,025)	Council Tax Income	2,282	(202,564)	(200,282)	
2,070	(670,045)	(667,975)	Taxation & Non-Specific Grant Income	2,282	(692,616)	(690,334)	
(439)	0	(439)	Tax expenses - Corporation Tax payable/(owing)	131	0	131	
1,271,411	(1,237,251)	34,160	Surplus)/Deficit on Provision of Services	1,310,056	(1,277,974)	32,082	

Group Comprehensive Income and Expenditure

	(2,262)	Revaluation Gains			(59,391)
	2,128	Revaluation Losses			21,826
	361	Impairment losses on non-current assets charged to the Revaluation Reserve			2,399
	45	(Surplus)/Deficit on Financial Instrument Revaluation Reserve			13
	33,581	Actuarial gains/losses on pension assets/liabilities			(23,856)
	135	Share of other comprehensive income & expenditure of subsidiaries			0
	33,988	Other Comprehensive Income & Expenditure			(59,009)
	68,148	Total Comprehensive Income & Expenditure			(26,927)

*The opening balance has not been amended for changes to Joint Committees after 30 September 2018

Group Movement In Reserves

	Council Fund Balance £000	Council Fund Earmarked £000	HRA Balance £000	HRA Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves Council £000	Unusable Reserves - Group Entities £000	Total Authority Reserves £000
Balance at 31 March 2017 carried forward	14,255	59,391	8,438	4,086	7,205	93,375	542,001	6,481	641,857
Movement in Reserves during 2017/18									
Surplus or (deficit) on the provision of Services	(53,869)	0	21,622	0	0	(32,247)	0	(1,913)	(34,160)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(33,853)	(135)	(33,988)
Total Comprehensive Income and Expenditure	(53,869)	0	21,622	0	0	(32,247)	(33,853)	(2,048)	(68,148)
Adjustments between accounting basis & funding basis under regulations	56,321	0	(21,940)	0	14,115	48,496	(48,496)	0	0
Adjustment for CCRCD final accounts	466	0	0	0	0	466	0	0	466
Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves	2,918	0	(318)	0	14,115	16,715	(82,349)	(2,048)	(67,682)
Transfers to/(from) Earmarked Reserves	(2,452)	2,452	863	(863)	0	0	0	0	0
Adjustment for CCRCD final accounts	(466)	466	0	0	0	0	(5,677)	0	(5,677)
Increase / (Decrease) in 2017/18	0	2,918	545	(863)	14,115	16,715	(88,026)	(2,048)	(73,359)
Balance at 31 March 2018 carried forward	14,255	62,309	8,983	3,223	21,320	110,090	453,975	4,433	568,498
Movement in Reserves during 2018/19									
Surplus or (deficit) on the provision of Services	(67,749)	0	36,927	0	0	(30,822)	0	(1,260)	(32,082)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	56,704	2,305	59,009
Total Comprehensive Income and Expenditure	(67,749)	0	36,927	0	0	(30,822)	56,704	1,045	26,927
Adjustments between accounting basis & funding basis under regulations	59,143	0	(39,655)	0	(12,832)	6,656	(6,656)	0	0
Adjustment for CCRCD final accounts	11	0	0	0	0	11	0	0	11
Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves	(8,595)	0	(2,728)	0	(12,832)	(24,155)	50,048	1,045	26,938
Transfers to/(from) Earmarked Reserves	8,606	(8,606)	2,728	(2,728)	0	0	0	0	0
Adjustment for CCRCD final accounts	(11)	11	0	0	0	0	0	0	0
Increase / (Decrease) in 2018/19	0	(8,595)	0	(2,728)	(12,832)	(24,155)	50,048	1,045	26,938
Balance at 31 March 2019 carried forward	14,255	53,714	8,983	495	8,488	85,935	504,023	5,478	595,436

Group Balance Sheet

31 March 2018 £000		Note	31 March 2019 £000
1,733,392	Property, Plant & Equipment:	7	1,792,297
54,099	Heritage Assets		54,152
103,820	Investment Properties		118,003
2,701	Intangible Non-Current Assets including AUC		2,222
366	Long-term Investments		477
8,087	Long-term Debtors		9,783
1,201	Deferred tax asset		762
1,903,666	Total Long-Term Assets		1,977,696
34,033	Short-term Investments		69,032
6,375	Assets held for Sale		2,570
2,377	Inventories		2,593
87,850	Short-term Debtors	9	97,372
55,804	Cash and Cash Equivalents	10	21,088
186,439	Total Current Assets		192,655
(13,440)	Short-term Borrowing		(13,306)
(91,316)	Short-term Creditors	11	(109,261)
(1,884)	Pension Strain		(1,769)
(5,640)	Provisions	12	(7,044)
(5,090)	Deferred Liabilities	13	(3,596)
(117,370)	Total Current Liabilities		(134,976)
(688,713)	Long Term Borrowing		(717,700)
(25,188)	Provisions	12	(25,912)
(17,565)	Deferred Liabilities	13	(15,311)
(9,961)	Capital Contributions Receipts in Advance		(14,485)
(6,484)	Revenue Grants Receipts in Advance		(12,412)
(412)	Capital Grants Receipts in Advance		(695)
(2,794)	Pension Strain		(2,560)
(646,865)	Net Pensions Liability		(650,260)
(1,044)	Deferred tax liability		(604)
(1,399,026)	Total Long-Term Liabilities		(1,439,939)
573,709	NET ASSETS		595,436
	Financed by:		
14,255	Council Fund Balance		14,255
61,843	Council Fund Earmarked Reserves		53,714
8,983	Housing Revenue Account Balance		8,983
3,223	Housing Revenue Account Earmarked Reserves		495
21,320	Capital Receipts Reserve		8,488
109,624	Usable Reserves		85,935
258,745	Revaluation Reserve		286,827
852,323	Capital Adjustment Account		873,058
4,511	Deferred Capital Receipts		5,008
4,528	Financial Instruments Adjustments Reserve		4,515
(654,441)	Pensions Reserve		(657,469)
(9,333)	Accumulated Absences Adjustment Account		(8,901)
7,752	Reserves (Group Entities)		6,463
464,085	Unusable Reserves		509,501
573,709	TOTAL RESERVES		595,436

*The opening balance has not been amended for changes to Joint Committees after 30 September 2018

Group Cash Flow

2017/18 £000		Note	2018/19 £000
34,160	Net (Surplus) /Deficit on the provision of services		32,082
(152,883)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	14	(115,547)
45,725	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	14	58,833
(72,998)	Net cash flows from operating activities		(24,632)
126,943	Purchase of property, plant and equipment, investment property and intangible assets		133,361
0	Purchase of short-term and long-term Investments		35,000
936	Other payments for investing activities		(4,808)
(24,889)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(9,232)
(45,621)	Capital Grants and Contributions		(64,132)
57,369	Net cash flows from investing activities		90,189
(25,004)	Cash receipts from short-term and long-term borrowing		(32,934)
(2,826)	Other receipts from financing activities		(4,396)
1,907	Cash payments for the reduction of outstanding liabilities relating to finance leases		1,895
7,791	Repayments of short-term and long-term borrowing		4,594
293	Other payments for financing activities		0
(17,839)	Net cash flows from financing activities		(30,841)
(33,468)	Net (increase)/ decrease in cash and cash equivalents		34,716
22,336	Cash and cash equivalents at the beginning of the reporting period		55,804
55,804	Cash and cash equivalents at the end of the reporting period		21,088

Notes to Group Accounts

NOTES TO THE GROUP ACCOUNTS

The notes to the Council's Core Financial Statements also apply to the Group Accounts with the following additions and exceptions:

1. Remuneration

The number of employees of the group whose remuneration is over £60,000 per annum is disclosed below.

Remuneration band £	Number of Employees			
	2017/18		2018/19	
	Non Schools	Schools	Non Schools	Schools
60,000-64,999	9	51	9	65
65,000-69,999	19	27	19	31
70,000-74,999	1	11	1	12
75,000-79,999	2	8	3	8
80,000-84,999	9	8	8	9
85,000-89,999	1	4	0	6
90,000-94,999	0	2	2	1
95,000-99,999	0	2	1	3
100,000-104,999	0	2	1	2
105,000-109,999	1	2	1	1
110,000-114,999	0	1	0	1
115,000-119,999	0	2	0	0
120,000-124,999	6	0	4	2
125,000-129,999	0	1	0	1
130,000-134,999	1	0	0	0
135,000-139,999	0	1	2	1
140,000-144,999	0	0	0	0
145,000-149,999	0	1	0	0
150,000-154,999	0	0	0	1
155,000-169,999	0	0	0	0
170,000-174,999	1	0	0	0
175,000-179,999	0	0	1	0
Total	50	123	52	144

2. Related Parties Disclosures

Related party transactions and balances of the group are as contained in note 12 to the single entity financial statements. Cardiff City Transport Services Ltd have separately recognised related party transactions between itself and the Council, and also between itself and its own subsidiary, but not between itself and any other organisations.

3. External Audit Costs

In 2018/19 the following fees were paid by the group in respect of audit and inspection:

2017/18 £000		2018/19 £000
383	Fees payable to Wales Audit Office for external audit services	382
30	Fees payable to other external auditors for external audit services	45
65	Fees payable to external auditors for the certification of grant claims and returns	65
40	Fees payable to other external auditors for other services	54
518	Total	546

Notes to Group Accounts

4. Leasing

Operating Leases

Operating leases exist in respect of properties, vehicles and other items of equipment. Payments made during 2018/19 were as follows

2017/18 £000		2018/19 £000
1,346	Property Leases	1,291
3,127	Other leases	2,316
4,473		3,607

The group was committed at 31 March 2019 to making payments of £4.833 million under operating leases in 2018/19 (£4.225 million at 31 March 2018 for 2017/18) comprising the following elements:

	Property Leases £000	Other Leases £000
Leases expiring within 1 year	123	666
Leases expiring within 2 and 5 years	1,112	1,337
Leases expiring after 5 years	652	0
	1,887	2,003

Finance Leases

The assets acquired under finance leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2017/18 £000		2018/19 £000
13,257	Vehicles, Plant, furniture & Equipment	11,664

Obligations under finance leases:

2017/18 £000		2018/19 £000
1,895	Obligations payable within 1 year	1,948
5,128	Obligations payable between 2 and 5 years	3,611
431	Obligations payable after 5 years	0
7,454	Total liabilities as at 31 March	5,559

The aggregate finance charges made during 2018/19 were as follows:

2017/18 £000		2018/19 £000
209	Vehicles, Plant & Equipment	198

Notes to Group Accounts

5. Pensions

The following sums were charged to the Group Comprehensive Income and Expenditure Statement in the year in respect of pensions:

	2017/18 £000	2018/19 £000
Net Cost of Services		
Past and current service cost and operating charge	52,668	59,286
Net Operating Expenditure		
Interest on net defined benefit liability/(asset)	14,510	15,940
Net charge to Group Income & Expenditure Account	67,178	75,226
Appropriation to/(from) Pensions Reserve to Council Fund Balance	(22,320)	(29,970)
Appropriation to/(from) Pensions Reserve to Profit and Loss Accounts of subsidiaries	582	442
Net charge to Council Fund Balance and Profit & Loss Accounts of Subsidiaries in respect of Pensions	45,440	45,698
Presented by:		
Employers Contributions Payable to the Scheme	(40,820)	0
Payments in Respect of Unfunded Pensions Liabilities	(3,210)	(44,540)
Total Employers Contributions Charged to Council Tax	(44,030)	(44,540)
Employers Contributions Made by Subsidiaries to Defined Benefit Schemes in the Year	(1,410)	(1,158)
Total Contributions	(45,440)	(45,698)

Pensions Assets and Liabilities of Cardiff Bus

The disclosures that follow relate solely to the pension arrangements of Cardiff City Transport Services Ltd. and have been taken directly from their 2018/19 financial statements.

The company operates its own pension scheme, the Cardiff City Transport Services Limited Pension Scheme, as well as contributing to the Cardiff and Vale of Glamorgan Pension Fund on behalf of employees who were formerly employed by The City of Cardiff Council Transport Department. Both schemes provide benefits based on final pensionable pay and the assets of the schemes are held separately from those of the company. Company contributions are determined by a qualified actuary on the basis of triennial valuations.

Cardiff City Transport Services Limited Pension Scheme

Since 30 June 2001, the Cardiff City Transport Services Limited Pension Scheme (final salary) has been closed to new members. The defined contribution section closed to new entrants from 9 April 2013, from which date a money purchase section was introduced. This closed to new members in July 2013.

The most recent actuarial valuation of the Cardiff City Transport Services Limited Pension Scheme, as required under section 224(2) (a) of the Pensions Act 2014, was carried out as at 1 April 2015. For the purpose of the valuation of the defined benefit section, it was assumed that the investment return on assets prior to pension liabilities coming into payment will be 0.85% per annum higher than the rate of future annual wage and salary growth and 0.85% per annum higher than the rate of future retail price inflation. The investment return for pension liabilities once in payment was assumed to be 0.15% lower than the rate of future retail price inflation.

The defined benefit schemes are administered by a separate fund that is legally separated from the company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

Notes to Group Accounts

The valuation showed that the total market value of the scheme's assets, net of final salary members' AVCs, was £42.1 million and that this value represented 95% of the value of the benefits that had accrued to members at the valuation date, after allowing for expected future increases in earnings and pensions.

The basic rate of company contributions required to meet the cost of defined benefits, without allowance for any recovery of deficit, but allowing for Pension Protection Fund (PPF) levies, life assurance premiums and expenses, was found to be 18.6% of members' pensionable pay as at 1 April 2015. The company paid 14.9% of members' pensionable pay until 31 December 2016, from which date it increased to 18.9% of members' pensionable pay. This is increased by 0.2% every 1 April, with an effective company contribution rate of 19.5% of pensionable pay from 1 April 2019. Employee contributions are payable in addition. For the majority of defined benefit section members, contributions are required at the rate of 5% of pensionable pay (a small number contribute at the lower rate of 4%).

Company and employee contributions for members of the defined contribution sections are payable in accordance with the scheme rules.

An assessment of the liabilities of the defined benefit section of the scheme was carried out as at 31 March 2019 for accounting disclosure purposes by a qualified independent actuary. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit method.

The principal assumptions used by the actuary were:

	31 March 2017	31 March 2018	31 March 2019
Rate of increase in salaries	3.3% pa	3.2% pa	n/a
Discount rate	2.6% pa	2.6% pa	2.3% pa
Inflation Assumption (RPI)	3.3% pa	3.2% pa	3.2% pa
Inflation Assumption (CPI)	2.3% pa	2.2% pa	2.2% pa
Pension Increases (CPIS)	2.3% pa	2.2% pa	2.2% pa

Mortality assumptions are based on S2PXA tables, relevant to year of birth rated up two years, with future improvements in line with the CMI2017 projection model with a long-term trend rate of 1.0%. The assumptions are that a member aged 65 at the disclosure date will live on average for a further 20.1 years (2018: 20.3) if they are male and for a further 22.0 years (2018: 22.1) if they are female. For a member who is 45 at the disclosure date and retires at age 65 the assumptions are that they will live on average for a further 21.2 years after retirement (2018: 21.4) if they are male and for a further 23.2 years after retirement (2018: 23.3) if they are female.

The assets in the fund and expected rates of return were:

	2016/17	2017/18	2018/19
	Fair Value £000	Fair Value £000	Fair Value £000
Equities	14,679	12,980	6,184
Diversified Growth	16,724	13,758	12,081
Convertible Bonds	4,001	6,931	3,763
Cash and LDI	2,414	4,391	8,688
Bonds	0	0	10,128
	37,818	38,060	40,844

Notes to Group Accounts

The net pension liability measured under IAS19 comprised the following:

	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000
Total market value of assets	37,818	38,060	40,844
Present value of scheme liabilities	(38,459)	(38,444)	(38,375)
Net IAS19 Scheme Deficit	(641)	(384)	2,469

	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000
Analysis of amount charged to operating profit			
Current service cost and administration	(885)	(914)	(556)
Analysis of amount credited/(charged) to interest receivable/payable			
Expected return on pension scheme assets	1,142	981	617
Interest on pension scheme liabilities	(1,110)	(995)	(974)
Net finance income/(charge)	32	(14)	(357)

Analysis of amount recognised in the primary statements

	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000
Actual return less expected return on pension assets	4,348	(528)	2,882
Changes in financial assumptions underlying the scheme/(liabilities)	(5,985)	612	(161)
Actuarial gain/(loss) recognised in the primary statements	(1,637)	84	2,721

Movements in scheme deficit during the year

	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000
Balance as at 1 April	878	(641)	(384)
Movement in year:			
Total operating charge	(589)	(618)	(556)
Contributions	971	1,072	1,045
Net finance income/(charge)	(264)	(281)	(357)
Actuarial gain/(loss) in the primary statements	(1,637)	84	2,721
Balance as at 31 March	(641)	(384)	2,469

Cardiff and Vale of Glamorgan Pension Fund

Cardiff Bus also participates in the Local Government Pension Scheme, which is a defined benefit scheme based on final pensionable salary.

The most recent completed valuation was carried out as at 31 March 2016, and has been updated by independent actuaries to the Cardiff and Vale of Glamorgan Pension Fund (the Fund) to take account of the requirements of IAS 19 in order to assess the liabilities of the Fund as at 31 March 2016. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value. The result of this valuation revealed that the company's required

Notes to Group Accounts

contributions to this scheme in respect of its employees who are members will be 25.4% of pensionable pay from 1 April 2017 continuing into 2019/20. These figures include the past service element of the contribution rate.

The scheme is now closed to the company's employees and the company's condition of continued participation is to pay contributions as required.

The principle assumptions used by the actuary were:

	31 March 2017	31 March 2018	31 March 2019
Rate of increase in salaries	3.3% pa	3.3% pa	2.2% pa
Discount rate	2.6% pa	2.6% pa	2.6% pa
Rate of increase in pensions in payment	2.3% pa	2.3% pa	2.2% pa
Rate of increase in deferred pensions	2.3% pa	2.3% pa	2.2% pa
Rate of inflation (RPI)	3.3% pa	3.3% pa	3.2% pa
Rate of inflation (CPI)	2.3% pa	2.3% pa	2.2% pa

Mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. The assumptions are that a member aged 65 at the valuation date will live on average for a further 22.2 years (2018: 20.6) if they are male and for a further 24.1 years (2018: 22.4) if they are female. For a member who is 45 at the valuation date and retires at age 65 the assumptions are that they will live on average for a further 23.2 years after retirement (2018: 21.7) if they are male and for a further 25.3 years after retirement (2018: 23.6) if they are female.

The assets in the fund and expected rates of return were:

	2016/17	2017/18	2018/19
	Fair Value £000	Fair Value £000	Fair Value £000
Equities	23,640	20,130	19,832
Government bonds	2,573	4,661	2,397
Corporate bonds	1,756	3,148	3,331
Property	1,907	1,907	3,425
Cash	454	424	467
Other assets	(60)	0	1,681
	30,270	30,270	31,133

The net pension liability measured under IAS19 comprised the following:

	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000
Total market value share of assets	30,270	30,270	31,133
Present value of scheme liabilities	(33,450)	(33,470)	(34,870)
Net IAS19 Scheme Deficit	(3,180)	(3,200)	(3,737)

	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000
Analysis of amount charged to operating profit			
Current service cost and administration	(210)	(210)	(160)
Analysis of amount credited/(charged) to interest receivable/payable			
Expected return on pension scheme assets	920	780	770
Interest on pension scheme liabilities	(1,030)	(850)	(850)
Net Finance Income / (Charge)	(110)	(70)	(80)

Notes to Group Accounts

Analysis of amount recognised in the primary statements:

	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000
Actual return less expected return on pension assets	3,580	140	1,300
Changes in financial assumptions underlying the scheme/(liabilities)	(3,430)	(390)	(1,710)
Actuarial gain/(loss) recognised in the primary statements	150	(250)	(410)

Movements in scheme deficit during the year:

	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000
Balance as at 1 April	(3,670)	(3,180)	(3,200)
Movement in year:			
Total operating charge	(210)	(210)	(160)
Contributions	660	510	113
Net finance income/(charge)	(110)	(70)	(80)
Actuarial gain/(loss) in the primary statements	150	(250)	(410)
Balance as at 31 March	(3,180)	(3,200)	(3,737)

The total net pension liability measured under IAS19 for both schemes is as follows:

	31 March 2018 £000	31 March 2019 £000
Cardiff City Transport Scheme	383	(2,469)
Cardiff & Vale of Glamorgan Pension Scheme	3,200	3,737
Deferred Tax Asset	(681)	(241)
Total	2,902	1,027

6. Exceptional Items

There are no exceptional items reported in the 2018/19 Cardiff Bus Accounts.

Notes to Group Accounts

7. Non-Current Assets Note

Property, Plant and Equipment	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	P, P & E under construction	Total Property, Plant & Equipment
Movements in Cost or Values	£000	£000	£000	£000	£000	£000	£000	£000
1 April 2017	554,803	773,495	76,496	605,525	19,652	40,992	42,555	2,113,518
Additions	17,633	32,934	7,905	14,943	84	14	54,899	128,412
Revaluations Increases/(Decreases) recognised in the RR	0	27	0	0	0	(844)	0	(817)
Revaluations Increases/(Decreases) recognised in the SDPS	0	(20,209)	0	0	0	(16,396)	0	(36,605)
Impairment Losses/Reversals to RR	0	(361)	0	0	0	0	0	(361)
Impairment Losses/Reversals to SDPS	(25)	(7,130)	0	0	0	0	(1,458)	(8,613)
Derecognition - Disposals	(1,479)	(1,000)	(5,214)	0	0	(567)	0	(8,260)
Reclassified (to)/from Held for Sale	0	(582)	0	0	0	(5,975)	0	(6,557)
Other Reclassifications - Transfers	3,243	(864)	17	3,746	0	22,348	(28,271)	219
31 March 2018	574,175	776,310	79,204	624,214	19,736	39,572	67,725	2,180,936
Additions	22,682	62,521	6,716	18,483	10	4,134	23,270	137,816
Revaluations Increases/(Decreases) recognised in the RR	17,507	(7,778)	0	0	0	(2,123)	0	7,606
Revaluations Increases/(Decreases) recognised in the SDPS	(9,008)	(57,790)	0	0	0	130	156	(66,512)
Impairment Losses/Reversals to RR	0	(173)	0	0	0	(2,225)	0	(2,398)
Impairment Losses/Reversals to SDPS	(133)	(756)	0	0	0	(2,784)	(78)	(3,751)
Derecognition - Disposals	(711)	(3,008)	(3,945)	0	0	(80)	0	(7,744)
Reclassified (to)/from Held for Sale	0	0	0	0	0	3,271	0	3,271
Other Reclassifications - Transfers	277	42,387	795	6,748	60	(1,695)	(54,772)	(6,200)
31 March 2019	604,789	811,713	82,770	649,445	19,806	38,200	36,301	2,243,024
Movements in Depreciation/Impairment								
1 April 2017	16,941	26,487	45,054	310,904	0	0	0	399,386
Depreciation Charge	9,072	16,678	7,375	22,135	0	0	0	55,260
Depreciation written out on Impairment	0	(262)	0	0	0	0	0	(262)

Notes to Group Accounts

Property, Plant and Equipment	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	P, P & E under construction	Total Property, Plant & Equipment
Movements in Cost or Values	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation written out to the RR	0	(804)	0	0	0	0	0	(804)
Depreciation written out to the SDPS	0	(97)	0	0	0	(27)	0	(124)
Derecognition - Disposals	(42)	(723)	(5,148)	0	0	0	0	(5,913)
Reclassifications - Transfers	0	(27)	0	0	0	27	0	0
31 March 2018	25,971	41,252	47,281	333,039	0	0	0	447,543
Depreciation Charge	9,908	19,584	7,661	21,224	0	0	0	58,377
Depreciation written out on Impairment	0	(130)	0	0	0	0	0	(130)
Depreciation written out to the RR	(25,971)	(10,089)	0	0	0	0	0	(36,060)
Depreciation written out to the SDPS	0	(14,759)	0	0	0	0	0	(14,759)
Derecognition - Disposals	0	(173)	(3,901)	0	0	0	0	(4,074)
Reclassifications - Transfers	0	(170)	0	0	0	0	0	(170)
31 March 2019	9,908	35,515	51,041	354,263	0	0	0	450,727
Net Book Value								
At 31 March 2018	548,204	735,058	31,923	291,175	19,736	39,572	67,725	1,733,393
At 31 March 2019	594,881	776,198	31,729	295,182	19,806	38,200	36,301	1,792,297

* RR = Revaluation Reserve

**SDPS = Surplus or deficit on Provision of Services

Notes to Group Accounts

8. Financial Instruments

In addition to the financial instrument disclosures in the single entity accounts it should be noted that the Council's shareholding in Cardiff Bus ceases to be a financial instrument, as the group balance sheet includes the net assets of the subsidiary and their corresponding net worth.

9. Short Term Debtors

31 March 2018		31 March 2019
£000		£000
45,784	Central Government Bodies	44,634
17,308	Other Local Authorities & NHS Bodies	27,164
24,857	Other Entities and Individuals including Public Corporations	25,574
87,949	Total Short Term Debtors	97,372

10. Cash and Cash Equivalents

This figure represents cash temporarily available for investment at balance sheet date and includes £2.091 million (£2.391 million in 2017/18) which Cardiff City Transport Services Ltd. holds in an escrow account against future insured liabilities. Cardiff City Transport Services Ltd holds £2.098 million (£2.398 million in 2017/18) in money market accounts that are not instant access.

11. Short Term Creditors

31 March 2018		31 March 2019
£000		£000
(12,608)	Central Government Bodies	(11,754)
(11,183)	Other Local Authorities & NHS Bodies	(19,496)
(67,686)	Other Entities and Individuals including Public Corporations	(78,011)
(91,477)	Total Short Term Creditors	(109,261)

12. Provisions

	Balance 1 April 2018 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2019 £000	Not later than one year £000	Later than one year £000
Insurance & MMI Scheme	(8,468)	2,874	(5,071)	(10,665)	(4,798)	(5,867)
Ferry Road Landfill	(8,462)	185	0	(8,277)	(195)	(8,082)
Lamby Way Landfill	(11,230)	391	0	(10,839)	(507)	(10,332)
Cardiff Bus Insurance Provision	(1,411)	495	(1,183)	(2,099)	(944)	(1,155)
City Deal	(84)	0	(145)	(229)	0	(229)
Other	(830)	657	(674)	(847)	(600)	(247)
Total Provisions	(30,485)	4,602	(7,073)	(32,956)	(7,044)	(25,912)

Cardiff Bus insurance provision represents the provision for insurance claims payable by the company in respect of outstanding claims.

Notes to Group Accounts

13. Deferred Liabilities

	Balance 1 April 2018 £000	Utilised/ Released in year £000	Transfers to Deferred Liabilities £000	Balance 31 March 2019 £000	Not later than one year £000	Later than one year £000
Commuted Maintenance Sums	(9,039)	1,170	(349)	(8,218)	(523)	(7,695)
Rent Smart Wales Income in Advance	(6,102)	972	0	(5,130)	(1,125)	(4,005)
Cardiff Bus Finance Lease Liability	(7,454)	1,895	0	(5,559)	(1,948)	(3,611)
Total Deferred Liabilities	(22,595)	4,037	(349)	(18,907)	(3,596)	(15,311)

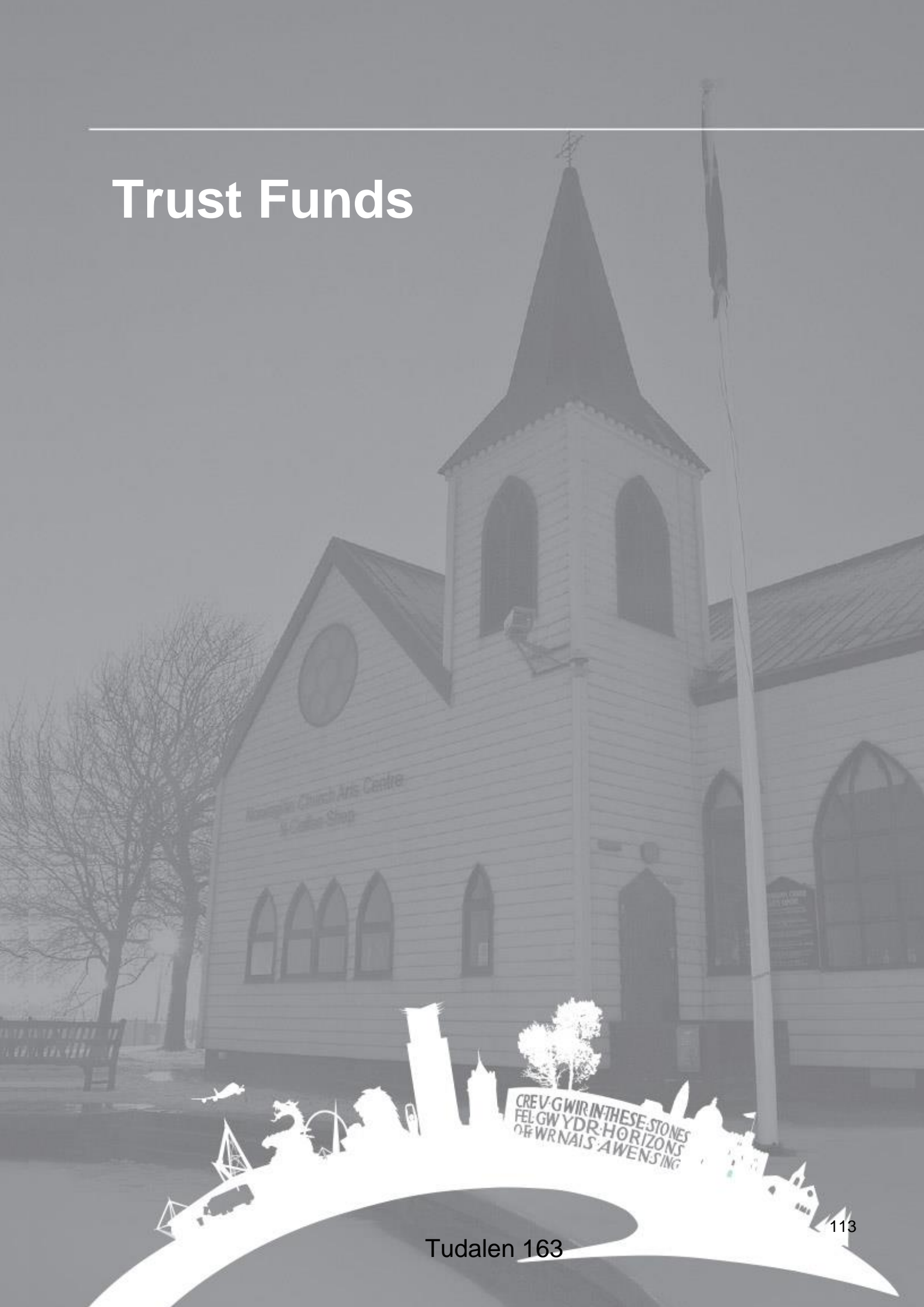
14. Adjust net surplus or deficit on the provision of services for non-cash movements

2017/18 £000		2018/19 £000
(99,237)	Depreciation and impairment	(91,219)
(22,618)	Charges made for retirement benefits (IAS19) less employers contributions	(26,912)
(30,862)	Carrying amount of non-current assets sold or derecognised	(3,924)
439	Cardiff Bus Taxation	0
(89)	Increase/(decrease) in stock	216
265	Increase/(decrease) in debtors (exc capital)	17,927
(6,301)	(Increase)/decrease in creditors (exc capital creditors)	(17,865)
3,056	Other non-cash items affecting net surplus or deficit on provision of services	6,230
(155,347)		(115,547)

Adjust for items included in the net surplus/deficit on provision of services that are investing and financing activities

2017/18 £000		2018/19 £000
(4,800)	Net gain/(loss) on sale of non-current assets	9,728
(209)	Repayments of liabilities under finance leases	0
50,734	Capital grants/contributions recognised in I&E	49,105
0	Other cash items which affect investing or financing activities	0
45,725		58,833

Trust Funds



Trust Funds

During 2018/19, the Corporate Director Resources had financial responsibility for a number of charities. Although their financial administration is integrated with that of the Council, the charities are legally separate from it. Separate financial statements are produced for each, which are in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting by Charities, published by the Charity Commissioners.

The charities are managed and expenditure is approved in accordance with criteria set out in the governing document of each one.

The Council is the **sole trustee** of the following charities, the purposes of which are outlined below. Numbers in brackets are the charity registration numbers.

Llandaff War Memorial Fund (219060) – Upkeep of the war memorial at Llandaff.

Maindy Park Foundation (524137) – Recreation or other leisure-time occupation for the benefit of the inhabitants of the City of Cardiff with the object of improving the conditions of life for those inhabitants.

Norwegian Church Preservation Trust (519831) - The Norwegian Church Preservation Trust was transferred to the County Council, under the management of the Cardiff Harbour Authority in May 2006. It is intended to continue to retain and enhance the cultural, arts programmes and the links between Wales and Norway of this important visitor attraction on the Cardiff Bay Waterfront for future generations.

Cardiff Further Education Trust Fund/Craddock Wells Trust (525512) – Provision of premises for educational purposes and grants to eligible students. The property provided by the trust is used by the Council as the site for Cardiff High School.

The accounts for the Cardiff Further Education Trust and the Norwegian Church Preservation Trust are required by the Charity Commission to be independently examined. The accounts for the year ended 31 March 2019 have yet to be examined. This is to be undertaken in January 2020 which is within the statutory deadlines set.

The Council **administers** the following charities, their purpose being:-

R Fice Memorial Trust (702695) – Provide financial assistance to those playing brass instruments

The Howardian Trust (1019801) – Provide financial support to young people in the former catchment area of Howardian High School.

A financial summary for each fund follows. Detailed financial statements may be obtained from:

Christopher Lee
Corporate Director Resources
County Hall
Cardiff
CF10 4UW

Trust Funds

	Balance as at 31 March 2018 £	Income £	Expenditure £	Asset Revaluation £	Balance as at 31 March 2019 £
General Funds					
Llandaff War Memorial Fund	1,428	11	(11)	0	1,428
Maindy Park Foundation	78,633	374	(11)	0	78,996
Norwegian Church Preservation Trust	(93,564)	107,572	(124,904)	0	(110,896)
Further Education					
Cardiff Further Education Trust/ Craddock Wells	24,557,920	146,678	(59,153)	31,897	24,677,342
Total funds for which the Council is Sole Trustee	24,544,417	254,635	(184,079)	31,897	24,646,870
Other funds administered by the Council					
R Fice Memorial Trust	65,549	2,481	(4,173)	189	64,046
The Howardian Trust	32,950	955	0	1,228	35,133
Total other funds which are administered by the Council	98,499	3,436	(4,173)	1,417	99,179
Total	24,642,916	258,071	(188,252)	33,314	24,746,049

Cardiff Harbour Authority



Narrative Report

Introduction

This document presents the Statement of Accounts for Cardiff Harbour Authority. Section 42(1) of the Harbours Act 1964 sets out that statutory undertakings, such as local authorities that have functions of maintaining, improving or managing a harbour are required to prepare an annual statement of accounts relating to the harbour activities. These accounts have been prepared in line with International Financial Reporting Standards as well as the requirements of the Companies Act 2006. Cardiff Harbour Authority is subsumed within the County Council of the City and County of Cardiff and is therefore not a company or separate legal entity. This narrative report replaces the Director's report required by the Companies Act 2006.

Agreement

By an Agreement dated 27 March 2000 made pursuant to and for the purposes of section 165 of the Local Government Planning and Land Act 1980 (as amended) the Council agreed to take responsibility for and to discharge the harbour authority undertaking and obligations in regard to the bay and the outer harbour under the terms of the Cardiff Bay Barrage Act 1983.

The Agreement has since been varied by the Deeds of Variation between the Welsh Ministers and the Council, with the latest dated 17 April 2018.

Review of the Financial Year

Welsh Government funding for Cardiff Harbour Authority is subject to three-year funding agreements, the latest of which expired on 31 March 2017. The Welsh Government advised they would like an opportunity to review current arrangements and wished to extend the previous business period by twelve months, up until 31 March 2018. However, the review, originally planned for the autumn of 2017 was delayed until the latter stages of the 2018/19 financial year. Subsequently, agreement was reached between the two parties for the 2018/19 budget to be set at £5.400 million, representing a reduction of £491,000 or 8.33% on 2017/18.

The financial deficit after accounting adjustments for the year ended 31 March 2019 was £2.865 million (£1.876 million in 2017/18).

Total Capital Expenditure incurred during the year was £288,000 and of this, £191,000 was funded by Harbour Grant. This was a single year programme in 2018/19 for works at the harbour, barrage and surrounding environmental infrastructure, including works on the bascule bridges, replacement of pump out facility barrage south and additional submersible pumps.

Key Achievements

During 2018/19 Cardiff Harbour Authority continued to meet its statutory obligations. Achievements against a Harbour Authority action plan and performance indicators are reported quarterly to the Welsh Government and are highlighted below:

- Operated within a budget reduction and delivered the business plan within budget at year end
- The Volvo Ocean Race Atlantic stopover was delivered successfully in May 2018, with expectations of significant visitor engagement, conferences and sustainability outputs met
- Extreme sailing series returned to Cardiff for its final year of a three year contract in August 2018, supported by the Cardiff Harbour Festival
- The community liaison team won the Arts & Business Environment category award for their water safety campaign 'would you jump?' This partnership with Theatre Na Nog and Milford Haven Port Authority took a thought provoking play and drama workshops into schools to raise awareness of the dangers of swimming and jumping in the Bay
- Maintained statutory water quality standards comprising over 400,000 readings
- Litter weighing 465 tonnes was removed from the rivers and bay

- Successful accreditation of the ISO14001 Standard for Environmental Management
- Café facility on the barrage leased to Royal Society for the Protection of Birds Cymru and opened in April 2018
- Excellent attendance and feedback on courses, activities and events at Cardiff International White Water, Cardiff Bay Water Activity Centre and Cardiff Sailing Centre including successful Sailability and All Aboard programmes and the largest entry to date for the Welsh Indoor Rowing Championships & Schools Championships
- Cardiff International White Water was a key venue in the United Kingdom Rescue Organisation challenge 2018 and hosted GB Standup Paddleboarding race, part of the national series
- Retained Green Flag Status for the Barrage, Cardiff Bay Wetlands and Flat Holm
- Allocated Regional Tourism Enhancement Fund grant from WG to deliver 'Sanctuary in the Sea', a series of Holistic weekends on Flat Holm with links to supporting local Cardiff businesses and partnering with local hotels to extend stays in Cardiff Bay.

Guide to the Financial Statements

The main statements provided are shown in the pages that follow along with supporting notes. A Cash Flow Statement has not been provided, in accordance with Section 394 of the Companies Act 2006. Cash flows of the Harbour Authority are integrated with those of the Council.

Comprehensive Income and Expenditure Statement

Provides information on how the Harbour Authority has performed throughout the year and as a result, whether or not their operations have resulted in a surplus or a deficit. The Harbour Authority has operated within budget but statutory adjustments including capital charges are the reason the Comprehensive Income and Expenditure Statement is showing a deficit.

Balance Sheet

Provides a snapshot of the financial position at 31 March, showing what the Harbour Authority owns and owes.

Annual Governance Statement

The Cardiff Harbour Authority is not a separate entity to the Council and the financial transactions and systems, governance and controls of the Cardiff Harbour Authority are integrated into those of the Council. The financial statements that follow are an extract from the accounts of the County Council of the City and County of Cardiff, where such transactions can be identified separately without significant cost. The extract has been amended to remove those entries required by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 that are not recognised by International Financial Reporting Standards.

Statement of Responsibilities for the Financial Statements and Corporate Director Resources Certificate

The Corporate Director Resources Responsibilities

The Corporate Director Resources is responsible for the preparation of the Statement of Accounts in accordance with the requirements of the Harbours Act 1964.

In preparing these financial statements, the Corporate Director Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the requirements of the Harbours Act 1964.

The Corporate Director Resources has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Corporate Director Resources Certificate

The financial statements for the Cardiff Harbour Authority give a true and fair view of its income and expenditure for the financial year 2018/19 and financial position of the Authority at 31 March 2019.

Christopher Lee
Corporate Director Resources

Date:

Audit Report of the Auditor General to those Charged with Governance of Cardiff Harbour Authority

Opinion

I have audited the financial statements of Cardiff Harbour Authority for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

Cardiff Harbour Authority's financial statements comprise the Comprehensive Income and Expenditure Statement and the Balance Sheet

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Cardiff Harbour Authority as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of Cardiff Harbour Authority and in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Cardiff Harbour Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the Foreword to the accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit, the information contained in the Foreword is consistent with the accounting statements and related notes

Matters on which I report by exception

In the light of the knowledge and understanding of the Council and Cardiff Harbour Authority obtained in the course of the audit, I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the Cardiff Harbour Authority in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing Cardiff Harbour Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
Date:

24 Cathedral Road
Cardiff
CF11 9LJ

Accounting Policies

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Harbour Authority's transactions for the 2018/19 financial year and its financial position at 31 March 2019. The accounts are prepared in accordance with International Financial Reporting Standards (IFRS). A number of the accounting policies used in preparing these accounts, along with any critical assumptions and sources of estimation used are the same as those for the accounts of the Council. Whilst these are not replicated in full, the key policies applied are below:

Accounting policies used when formulating the accounts

1. 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. Where income 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.

2. Employee 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.

3. 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.

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.

4. 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.

5. Operating Leases

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

6. Overheads and Support Services Costs

The Council makes recharges in respect of the cost of support services to the Cardiff Harbour Authority. The total absorption costing principle is used so that the full cost of overheads and support services are shared between users in proportion to the benefits received.

7. Property, Plant, Equipment, Community and Heritage Assets

Assets 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.

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

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

Asset Type	Measurement	Range of Remaining Useful Lives
Assets under Construction	Depreciated Historical Cost	n/a
Buildings	Existing Use or Depreciated Replacement Cost	14-57
Community Assets	Depreciated Historical Cost	n/a
Heritage Assets	Historic Cost and only measured at fair value where the benefits of doing so outweigh the costs	n/a
Infrastructure **	Depreciated Historical Cost	10-120
Investment Properties	Fair Value	n/a
Surplus Assets	Fair Value	n/a
Vehicles, Plant, Furniture & Equipment	Depreciated Historical Cost	7

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

Revaluation:

Buildings, Investment properties and Surplus Assets are revalued as part of a three year rolling programme.

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only; the date of its formal implementation.

Charges to Revenue for Non-Current Assets:

Services are debited with the following amounts to record the cost of holding assets during the year:

- depreciation attributable to the assets
- impairment losses on assets where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Harbour Authority does not receive grant for depreciation or any other accounting adjustments for non-current assets.

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.

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

Depreciation:

Depreciation is provided for on all Property, Plant and Equipment assets by an allocation of their depreciable amounts over their estimated useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land, heritage and community assets) as well as assets that are not yet available for use (i.e. assets under construction).

8. Reserves

The Harbour Authority holds one usable reserve - the general reserve for accumulated operational surpluses which can be used to fund future expenditure commitments and as a contingency against unforeseen events. The Harbour Authority only holds one unusable reserve - the revaluation reserve. Unusable reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits and do not represent usable resources for the Harbour Authority.

9. Value Added Tax

The Harbour Authority does not have a separate VAT registration to the Council and, apart from certain cases where the Harbour Authority funds supplies of goods or services to other persons or organisations, the Harbour Authority is reimbursed for VAT. The revenue accounts have been prepared exclusive of this tax.

Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

2017/18 £000		2018/19 £000
	Income	
(5,598)	Government Grants	(5,202)
(774)	Capital Grants Applied	(191)
(886)	Fees and Charges	(958)
(7,258)	Total Income	(6,351)
	Expenditure	
2,864	Employees	2,867
1,364	Premises	1,171
76	Transport	57
1,559	Supplies and Services	1,647
536	Support Services	481
2,735	Capital Charges	2,993
9,134	Total Expenditure	9,216
1,876	Net Expenditure for the Year	2,865

Balance Sheet as at 31 March 2019

31 March 2018 £000		Note	31 March 2019 £000
165,540	Property, Plant and Equipment	2	162,891
56	Heritage Assets	2	56
165,596	Total Long Term Assets		162,947
362	Inventories	3	352
56	Debtors	4	40
312	Cash		479
730	Total Current Assets		871
(397)	Creditors	5	(853)
(397)	Total Current Liabilities		(853)
165,929	Net Assets		162,965
	Funded by:		
161,341	General Reserve	1	158,476
4,588	Revaluation Reserve	1	4,489
165,929	Total Reserves		162,965

Notes to the Financial Statements

1. Reserves

2017/18			2018/19	
General Reserve £000	Revaluation Reserve £000		General Reserve £000	Revaluation Reserve £000
163,217	4,588	Balance as at 1 April	161,341	4,588
(1,876)	0	Movements in Reserves	(2,865)	(99)
161,341	4,588	Balance as at 31 March	158,476	4,489

Held within the General Reserve is an earmarked amount reserved for project activities and contingencies. This amount is £42,000 as at 31 March 2019 (£382,000 as at 31 March 2018).

2. **Movements in Property, Plant, Equipment & Other Long Term Assets**

Long term assets are primarily Property, Plant and Equipment, with movements analysed in the table that follows.

Property, Plant and Equipment	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus	Investment Assets	PP&E under construction	Total Property, Plant & Equipment	Heritage Assets
Movements in Cost or Value	£000	£000	£000	£000	£000	£000	£000	£000	£000
1 April 2017	6,749	996	218,658	1,103	0	333	176	228,015	56
Additions	0	361	591	0	0	0	46	998	0
Revaluations Increases/(Decreases) recognised in the RR	0	0	0	0	0	0	0	0	0
Revaluations Increases/(Decreases) recognised in the SDPS	0	0	0	0	0	0	0	0	0
Impairment Losses/Reversals to RR	0	0	0	0	0	0	0	0	0
Impairment Losses/Reversals to SDPS	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	0	0
Reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Other Reclassifications - Transfers	0	0	0	0	0	0	0	0	0
At 31 March 2018	6,749	1,357	219,249	1,103	0	333	222	229,013	56
Additions	0	72	216	0	0	0	0	288	0
Revaluations Increases/(Decreases) recognised in the RR	(235)	0	0	0	0	0	0	(235)	0
Revaluations Increases/(Decreases) recognised in the SDPS	(126)	0	0	0	10	0	0	(116)	0
Impairment Losses/Reversals to RR	0	0	0	0	0	0	0	0	0
Impairment Losses/Reversals to SDPS	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	(156)	0	0	0	0	0	(156)	0
Reclassified (to)/from Held for Sale	0	0	0	0	0	0	(222)	(222)	0
Other Reclassifications - Transfers	189	0	0	0	33	0	0	222	0
At 31 March 2019	6,577	1,273	219,465	1,103	43	333	0	228,794	56
Movements in Depreciation/Impairment									
1 April 2017	115	403	60,219	0	0	0	0	60,737	0
Depreciation Charge	57	194	2,485	0	0	0	0	2,736	0
Depreciation written out on Impairment	0	0	0	0	0	0	0	0	0
Depreciation written out to the RR	0	0	0	0	0	0	0	0	0
Depreciation written out to the SDPS	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	0	0
Reclassifications - Transfers	0	0	0	0	0	0	0	0	0
At 31 March 2018	172	597	62,704	0	0	0	0	63,473	0

Cardiff Harbour Authority

Property, Plant and Equipment	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus	Investment Assets	PP&E under construction	Total Property, Plant & Equipment	Heritage Assets
Movements in Cost or Value	£000	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation Charge	72	182	2,503	0	0	0	0	2,757	0
Depreciation written out on Impairment	0	0	0	0	0	0	0	0	0
Depreciation written out to the RR	(136)	0	0	0	0	0	0	(136)	0
Depreciation written out to the SDPS	(35)	0	0	0	0	0	0	(35)	0
Derecognition - Disposals	0	(156)	0	0	0	0	0	(156)	0
Reclassifications - Transfers	0	0	0	0	0	0	0	0	0
At 31 March 2019	73	623	65,207	0	0	0	0	65,903	0
Net Book Value:									
At 31 March 2018	6,577	760	156,545	1,103	0	333	222	165,540	56
At 31 March 2019	6,504	650	154,258	1,103	43	333	0	162,891	56

* RR = Revaluation Reserve

**CIES = Comprehensive Income and Expenditure Statement

3. Inventory

2017/18 £000		2018/19 £000
343	Balance as at 1 April	362
19	Inventory written off to the CIES	(10)
362	Balance as at 31 March	352

4. Debtors

31 March 2018 £000		31 March 2019 £000
56	Central Government Bodies	0
0	Trade Receivables	40
56	Total Debtors	40

5. Creditors

31 March 2018 £000		31 March 2019 £000
(30)	Central Government Bodies	(6)
(367)	Trade Payables	(847)
(397)	Total Creditors	(853)

Cardiff Port Health Authority



Narrative Report

Port Health Authorities are constituted with the primary objective of preventing the spread of infectious diseases without creating unnecessary interference to world shipping.

Cardiff Port Health Authority was originally established by a Provisional Order in 1882, becoming permanently constituted by the Cardiff Port Order (1894) and consolidated by the Cardiff Port Order (1938) and the Port Health Authorities (Wales) Order (1974). Its authority covers the area, from low water mark, three miles seaward, between Sully Island and the River Rhymney, including all water, docks, harbours and vessels.

The Authority, through the officers of the Environmental Service of the Shared Regulatory Service, inspects ships entering the area to ensure compliance with health regulations. To meet the expenditure incurred in these activities, the Authority raises a levy on the County Council of the City and County of Cardiff and the Vale of Glamorgan Council. Its other main revenue source is income arising from the granting of Ship Sanitation Control Exemption Certificates/Ship Sanitation Control Certificates.

In the absence of a delegation to another body, full Council of the County Council of the City and County of Cardiff are the body that approves the accounts of the Port Health Authority.

Accounting Policies

1. General

The accounting statements that follow have been prepared in accordance with proper practices as required by the Accounts and Audit (Wales) Regulations 2014.

2. Debtors and Creditors

The transactions of the Port Health Authority are recorded on an accruals basis. Where there is insufficient information available to provide actual figures, estimates are used although this element is not significant.

Accounting statements for Cardiff Port Health Authority:

	Year Ending	
	31 March 2018	31 March 2019
	£	£
Statement of Income and Expenditure		
Balances brought forward	(136,479)	(120,421)
Income from local taxation and/or levy	(126,596)	(126,600)
Other receipts	(1,505)	(1,996)
Staff costs	124,721	131,159
Other payments	19,438	19,692
Total	(120,421)	(98,166)
Statement of Balances		
Debtors	0	(12,827)
Cash and investments	(123,230)	(89,641)
Creditors	2,809	4,302
Balance carried forward	(120,421)	(98,166)

Annual Governance Statement

We acknowledge as the members of the Body, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the Body's accounting statements for the year ended 31 March 2019, that:

	Agreed?	
	Yes	No
1. We have put in place arrangements for: <ul style="list-style-type: none"> • effective financial management during the year; and • the preparation and approval of the accounting statements. 	Yes	
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.	Yes	
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Body to conduct its business or on its finances.	Yes	
4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.	Yes	
5. We have carried out an assessment of the risks facing the Body and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	Yes	
6. We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor.	Yes	
7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Body and, where appropriate, have included them on the accounting statements.	Yes	
8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	Yes	

Body Certification and approval

Approval and certification of the accounts and annual governance statement

The Body is responsible for the preparation of the accounting statements in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and for the preparation of an Annual Return:

<p>Certification by the Corporate Director Resources (RFO)</p> <p>I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Body and its income and expenditure for the year ended 31 March 2019</p>	<p>Approval by the Body</p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Body under body minute reference:</p>
--	---

Cardiff Port Health Authority

RFO signature:	Lord Mayor signature:
Name: Christopher Lee	Name: Councillor Daniel De'Ath, Lord Mayor
Date:	Date:

External Audit Certificate

The external auditor, being the Wales Audit Office, conducts the audit on behalf of, and in accordance with, guidance issued by the Auditor General for Wales. On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met.

External Auditor's Report

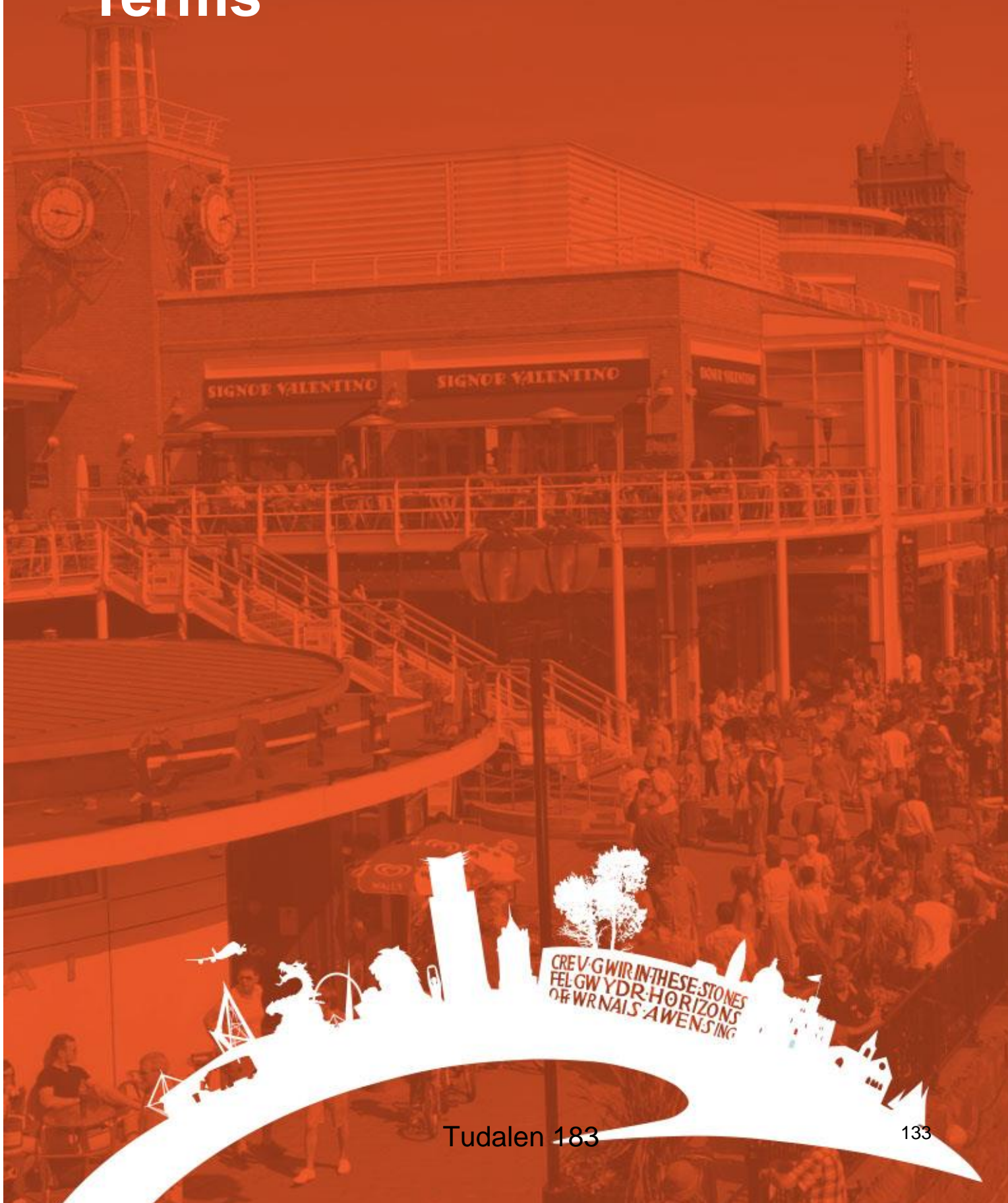
We certify that we have completed the audit of the Annual Return for the year ended 31 March 2019 of Cardiff Port Health Authority.

On the basis of our review, in our opinion;

- the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met
- there are no matters or recommendations to draw to the attention of the body.

External Auditor's name:	
External Auditor's signature	Date:
For and on behalf of the Auditor General for Wales	

Glossary of Accounting Terms



Knowledge of basic accountancy terminology is assumed. However, there are certain specialist terms related to local government finance, which are described below:

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Actuarial Gains and Losses

For a defined benefit pension's scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation, or the actuarial assumptions have changed.

Agency Services

The provision of services or functions, which are the responsibility of one Authority or public body, by another. The policy and financial resources are set by the principal Authority and implemented by the agent Authority.

Assets Held for Sale

Assets meeting all the criteria of: - immediately available for sale, where the sale is highly probable, actively marketed and expected to be sold within 12 months.

Asset Under Construction

An asset that is not yet complete.

Borrowing

Loans taken out taken out by the Council to pay for capital expenditure or for the prudent management of the Council's financial affairs.

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

Capital expenditure pays for improvements to existing and new assets used in the delivery of Council services as well as other items determined by Regulation. Capital resources are scarce, costly and also have long term revenue implications over many years and even generations where capital expenditure is funded by borrowing. Hence the requirement of the Prudential Code to ensure what is charged as Capital Expenditure is Prudent, Sustainable and Affordable.

The statutory definition of capital expenditure is given in the Local Government Act 2003, the Local Authorities (Capital Finance) Regulations 2003 and 2004 amended. Statute relies on the accounting measurement of cost in IAS 16 to determine whether expenditure is eligible to be capitalised or whether it should be treated as revenue expenditure. Key to what is eligible as capital spend are the following words in IAS 16 - 'Costs directly attributable to bringing the specific asset into working condition for its intended use'.

Capital Financing Requirement

A Council's underlying need to borrow for a capital purpose. It measures capital expenditure incurred but not yet financed by the receipt of grants, contributions and charges to the revenue account via a prudent minimum revenue provision.

Capital Receipts

Income from the sale of capital assets that can be used to fund new capital expenditure schemes, or reduce the underlying need to borrow. Capital receipts cannot be used to fund revenue expenditure, unless they relate to the costs of securing disposal or where a ministerial permission allows.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Cash and Cash Equivalents

Sums of money available for immediate use and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Chartered Institute of Public Finance & Accountancy (CIPFA)

CIPFA is the leading professional accountancy body which determines accounting standards and reporting standards to be followed by Local Government.

Civil Parking Enforcement

A responsibility granted by Welsh Government designating Cardiff as a "Civil Enforcement Area". This gives the Council direct control over the deployment of enforcement staff across the highway network, allowing enforcement to be targeted more effectively to local needs and transportation strategies.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

Council Dwellings

Flats and Houses owned by the Council as part of its Housing Revenue Account and provided at an affordable level of rent which is lower than market rent.

Council Fund Balance

The Council Fund Balance represents the cumulative retained surpluses on the Council's revenue budget. It provides a working balance which can be used to cushion the Council against unexpected events or emergencies. It is reviewed annually to ensure it remains at an appropriate level.

Credit Criteria

The parameters used as a starting point in considering with whom the Council may place investments, aimed at ensuring the security of the sums invested.

Credit Rating

A credit rating assesses the credit worthiness of an individual, corporation or country. Credit ratings are calculated from financial history and current assets and liabilities. Typically, a credit rating tells a lender or investor the probability of the subject being able to pay back a loan.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

Current Service Cost (Pensions)

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Current Value

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

Curtailment (Pensions)

For a defined benefit pension scheme an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Debtors

These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

Deferred Capital Receipts

These represent capital income still to be received after disposals have taken place.

Defined Benefit Scheme (Pensions)

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme (Pensions)

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation/Impairment/Amortisation

A charge made to the Comprehensive Income and Expenditure Statement to reflect an estimate of the use or consumption of non-current assets in the year in the provision of Council services.

De-recognition

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

Direct Revenue Financing

The amount of revenue funding in the year used to pay for capital expenditure incurred.

Earmarked Reserves

Amounts set aside to be used to meet specific, known or predicted future expenditure.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Fair Value

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade

receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Heritage Asset

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Revenue Account (HRA)

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the Council Fund.

Impairment

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Infrastructure Assets

Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

Intangible Assets

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patents.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment Properties

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

Investments

The purchase of financial assets in order to receive income and/or make capital gain at a future time, however with the prime concern being security of the initial sum invested.

Joint Venture

A joint venture is a joint arrangement whereby the parties who have joint control of the arrangement have rights to the net assets of the arrangement.

Lender Option Borrower Option Loans (LOBOs)

Loans to the Council where the lender can request a change in the rate of interest payable by the Council at pre-defined dates and intervals. The council at this point has the option to repay the loan.

Levy

An amount of money which a Local Authority is required to collect on behalf of another organisation.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Materiality

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

Market Loans

Borrowing that is sourced from the market i.e. organisations other than the Public Works Loan Board or a Public Body.

Net Book Value (NBV)

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Non-domestic rates (NDR)

A levy on businesses collected by billing Authorities, on behalf of the Welsh Government, and paid into an All Wales Pool. The Pool is then redistributed amongst all Welsh Authorities on the basis of population.

Operating Lease

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

Pension Fund

A fund built up from deductions from employees' pay, contributions from employers and investment income from which pension benefits are paid.

Precept

A demand levied by one public Authority, which is collected on its behalf by another Authority.

Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Projected Unit Method (Pensions)

An actuarial method of calculating the liabilities of a pension scheme which allows for projected future increases in pensionable pay up to retirement or date of leaving service

Property, Plant and Equipment (PPE)

Tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

Provisions

Amounts set aside in respect of liabilities or losses which are likely or certain to be incurred, but in relation to which the exact amount and date of settlement may be uncertain.

Prudential Code for Capital Finance

The system introduced on 1 April 2004 by Part 1 of the Local Government Act 2003 which allows local Authorities to borrow without Government consent, provided that they can afford to service the debt from their own resources and that any such borrowing is prudent and sustainable. This requires the preparation and approval of various indicators.

Prudent Revenue Provision (PRP)

An amount set aside as a provision each year to repay loans taken out to pay for capital expenditure. This has the effect of reducing the Capital Financing Requirement (CFR).

Public Works Loan Board (PWLB)

The Public Works Loan Board is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local Authorities and other prescribed bodies, and to collect the repayments.

Recharge

An internal charge for services rendered by one Council directorate or section to another.

Related Parties

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Reserves

Reserves are also amounts set aside for future use. Reserves may be for a specific purpose in which case they are referred to as 'earmarked reserves' or they may be general reserves (or balances) which every Council must maintain as a matter of prudence.

Revaluation Reserve

The Reserve records the accumulated gains on the non-current assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure funded from Capital Under Statute (REFCUS)

Represents expenditure that may properly be capitalised under statutory provisions but which creates no tangible asset for the Council e.g. house renovation grants to private individuals or revenue expenditure which would normally be charged to the revenue account, but which can be charged to capital following approval by the Welsh Government.

Revenue Support Grant

General government grant in support of local Authority services. It seeks to even out the effects on the council taxpayer of differences in needs between Authorities.

Settlement (Pensions)

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement.

Surplus Assets

Assets that are not being used to deliver services, but which do not meet the criteria to be classified as either Investment Properties or Assets Held for Sale.

Term Deposits

A term deposit is a money deposit at a banking institution that cannot be withdrawn for a certain "term" or period of time.

Treasury Management

The process by which the Council controls its cash flow and its borrowing and lending activities.

Trust Funds

Funds held in trust which are administered by the Council.

Mae'r dudalen hon yn wag yn fwriadol



Cardiff & Vale of Glamorgan

Pension Fund
Cronfa Bensiwn

Caerdydd a Bro Morgannwg



Draft Statement of Accounts

2018/19

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Narrative Report

Cardiff Council is the Administering Authority for the Cardiff and Vale of Glamorgan Pension Fund (the Fund) which is itself part of the national Local Government Pension Scheme (LGPS) for England & Wales. The LGPS is the statutory occupational pension scheme for all local government employees (except teachers) and the regulations are determined by the UK Government.

The Council's responsibilities as manager of the Fund are discharged through the Pensions Committee which has oversight of the Fund's strategies and policies. Operational management of the Fund has been delegated to the Corporate Director Resources. The Local Pension Board assists the Council to secure compliance with the LGPS regulations and the requirements of the Pensions Regulator and to ensure the effective and efficient administration of the scheme.

Membership continued to increase over the year. There are now over 16,000 contributing employees and more than 11,000 pensioners and dependents receiving benefits from the Fund.

The Pension Fund's assets rose by 5.4% during 2018/19, from £2.067 billion to £2.178 billion. Investment markets were volatile over the year due to economic and political uncertainties. Investor sentiment swung from optimistic in April and May to pessimistic towards the end of 2018, and back to optimistic in the first quarter of 2019. The return for the year was 5.1% against a benchmark return of 5.7%. Over the longer term, returns on the Fund's investments have averaged around 8% per annum.

The eight LGPS fund authorities in Wales continued to make progress during the year in the development of the Wales Pension Partnership (WPP) which was established in 2017 to oversee the pooling of the funds' investments. The WPP's Authorised Contractual Scheme (ACS) was approved by the FCA in July 2018 and the first pooled funds were launched in January 2019. Cardiff did not participate in this tranche, however further funds will be launched during 2019/20. The WPP is developing a Responsible Investment Policy to address issues of shared concern but each fund will continue to be responsible for its own investment strategy and asset allocation.

During the year progress was made in the development of a Climate Change Investment Policy in response to the Council's commitment to work with the Pensions Committee to consider divesting investments from fossil fuel companies. An analysis of the carbon impact of the Fund's investments was commissioned to set a benchmark against which the impact of changes to the investment strategy can be measured. Proposals for addressing this critical issue were considered by the Pensions Committee and Local Pension Board in January 2019 and will be developed further during 2019/20.

The Fund's key objective continues to be to deliver an effective and efficient service to nearly 41,000 contributing employees, pensioners and deferred members, and to minimise the financial burden on contributing employers over the long term.

Finally, the Annual Governance Statement for Cardiff Council includes the findings of a review across all services, including Pension Fund arrangements. An Action Plan is also included to address any governance issues identified and the document is available on the Council's website at the following address:

XXXX (to be entered for final accounts)

Christopher Lee
Corporate Director Resources

Actuarial Statement

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Cardiff and Vale of Glamorgan Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2016 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2016 (of £1,653 million) covering 85% of the liabilities allowing, in the case of pre 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 was:
 - 16.6% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 20 years from 1 April 2017 (the secondary rate), equivalent to 6.4% of pensionable pay (or £17.4 million in 2017/18, and increasing by 3.0% p.a. thereafter), before any phasing in or 'stepping' of contribution increases.

This would imply an average employer contribution rate of about 23.0% of pensionable pay in total, if the membership remains broadly stable and payroll increases by 3.0% p.a.

3. In practice, each individual Employer's or group of Employers' position is assessed separately and contributions are set out in Aon's report dated 31 March 2017 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the Employers.
4. The funding plan adopted in assessing the contributions for each individual Employer or group is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual Employers' recovery periods were agreed with the Administering Authority reflecting the Employers' circumstances.
5. The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows:

Discount rate for periods in service	
Scheduled body / subsumption funding target	4.6% p.a.
Orphan body funding target	4.6% p.a.
Discount rate for periods after leaving service	
Scheduled body / subsumption funding target	4.6% p.a.
Orphan body funding target	2.5% p.a.
Rate of pay increases	3.0% p.a.
Rate of increase to pension accounts	2.0% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.

Actuarial Statement

In addition, the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a. in service and left service.

The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2N mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) 2014 Core Projections with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting assumed life expectancies at age 65 were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.4	24.8
Future pensioners aged 45 at the valuation date	23.0	25.9

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the Employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Other than as permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
8. Since the date the valuation report was signed, there have been a number of developments in respect of the Local Government Pension Scheme (LGPS):
 - **Increases to Guaranteed Minimum Pensions (GMPs):**
HM Treasury, in its response to the consultation on indexation and equalisation of GMPs in public sector schemes, announced an extension of the indexation of GMPs to those reaching State Pension Age on or before 5 April 2021 (previously 5 December 2018). This extension period was not allowed for in the valuation results as the actuarial valuation report was signed off in advance of this announcement, but the increase in liability is not expected to be material. In addition, on 26 October 2018 the High Court ruled in the Lloyds Banking Group case that schemes are required to equalise male and female members' benefit for the effect of unequal GMPs. Our understanding is that this will not alter HM Treasury's approach to GMP equalisation in the LGPS.
 - **Cost Management Process and McCloud judgement:**
Legislation requires HM Treasury and the LGPS Advisory Board to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. Initial results from the Scheme Advisory Board process indicated that benefit improvements / member contribution reductions would be required. However, the cost management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sergeant) were age discriminatory; these cases could have knock on implications for the LGPS (potentially increasing the liabilities) which also had transitional arrangements when the new scheme was introduced with effect from April 2014.

Actuarial Statement

9. The actuarial valuation of the Fund as at 31 March 2019 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions commencing from 1 April 2020 to be signed off by 31 March 2020. Asset values have increased since 2016, on its own leading to an improvement in the funding level due to higher than assumed investment returns. Liability values and employer contributions, as well as being affected by the items listed in paragraph 8 above, will depend upon membership factors, changes to expectations of future returns and other assumptions (including allowance for the slow-down in longevity improvements) and any changes to funding strategy made as part of the 2019 valuation.
10. This Statement has been prepared by the current Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.
11. The actuarial valuation report is available on the Fund's website at the following address:
<https://www.cardiffandvalepensionfund.org.uk/about-the-fund/actuarial-valuation-reports/>

Aon does not accept any responsibility or liability to any party other than our client, City and County of Cardiff, the Administering Authority of the Fund, in respect of this Statement.

Aon Hewitt Limited
May 2019

Statement of Responsibilities

Statement of Responsibilities for the Financial Statements and Corporate Director Resources Certificate

The Council's responsibilities

As administering Authority of the Cardiff and Vale of Glamorgan Pension Fund, the County Council of the City and County of Cardiff is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In 2018/19 that officer was Christopher Lee, Corporate Director Resources who holds the statutory post of Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

Councillor Daniel De'Ath
Lord Mayor

Date:

The Corporate Director Resources responsibilities

The Corporate Director Resources is responsible for the preparation of the Council's financial statements in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

In preparing these financial statements, the Corporate Director Resources has:

- selected suitable accounting policies and then applied them consistently, except where policy changes have been noted in these accounts;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Corporate Director Resources has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Corporate Director Resources Certificate

The financial statements for the Cardiff and Vale of Glamorgan Pension Fund give a true and fair view of its income and expenditure for the financial year 2018/19 and financial position at 31 March 2019.

Christopher Lee
Corporate Director Resources

Date:

Audit Report of the Auditor General to the Members of the County Council of the City and County of Cardiff as administering authority for the Cardiff and Vale of Glamorgan Pension Fund

Opinion

I have audited the financial statements of Cardiff and Vale of Glamorgan Pension Fund for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004. Cardiff and Vale of Glamorgan Pension fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Audit Report

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Cardiff and Vale of Glamorgan Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements set out on page 6, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J. Barrett
For and on behalf of the Auditor General for Wales
Date:

24 Cathedral Road
Cardiff
CF11 9LJ

Fund Account

2017/18 £000		Note	2018/19 £000
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
(65,638)	From employers	7	(69,768)
(17,675)	From employees	7	(18,626)
(1,088)	Group transfers from other schemes or funds		(5,168)
(3,846)	Individual transfers from other schemes or funds		(6,719)
(2,633)	Other income (capitalised payments and interest on deficit funding)		(2,825)
(90,880)			(103,106)
	Benefits Payable		
62,507	Pensions	8	65,790
14,256	Lump sums, grants and other payments	8	18,134
	Payments to and on account of leavers		
114	Refunds of contributions		188
9,694	Group transfers to other schemes or funds		67
6,315	Individual transfers to other schemes or funds		7,397
92,886			91,576
2,006	Net (additions)/withdrawals from dealings with members of the Fund		(11,530)
7,902	Management expenses	9	8,083
9,908	Net (additions)/withdrawals including fund management expenses		(3,447)
	Returns on Investment		
(21,247)	Investment income	10	(27,498)
(53,567)	Change in market value of investments	11a	(80,299)
(74,814)	Net returns on investments		(107,797)
(64,906)	Net (increase)/decrease in the Fund during year		(111,244)
(2,001,678)	Opening net assets of the scheme		(2,066,584)
(2,066,584)	Closing net assets of the scheme		(2,177,828)

Net Assets Statement

2017/18 £000		Note	2018/19 £000
2,011,844	Investments at market value	11	2,112,376
37,826	Cash (including derivatives) and investment proceeds due	11	51,029
2,049,670	Total investments		2,163,405
153	UK & overseas tax		42
4,716	Contributions due from employers and deficit funding		4,845
278	Sundry debtors		443
2,152	Pension strain costs due within one year		2,177
7,299	Total current assets		7,507
8,922	Deficit funding (former employers)		6,947
2,794	Pension strain costs due after one year		2,560
11,716	Total non-current assets		9,507
(838)	Unpaid benefits		(426)
(1,263)	Sundry creditors		(1,358)
0	Provision - death grants	19	(105)
(2,101)	Total current liabilities		(1,889)
0	Provision - death grants	19	(702)
0	Total non-current liabilities		(702)
2,066,584	Net assets of the scheme		2,177,828

Notes to the Accounts

1. Basis of Preparation

The Statement of Accounts summarises the transactions and net assets of the Fund for the financial year 2018/19. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2018/19 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the administering Authority. They do not take account of obligations to pay pensions and benefits which fall due after the year end.

The accounts have been prepared on a going concern basis.

2. Summary of Significant Accounting Policies

Accounting standards that have been issued but not yet adopted

At the balance sheet date, no accounting standards issued but not yet adopted have been identified.

Income and Expenditure

Bond and dividend income has been taken into account on the contractual payment date. Property and private equity income is credited on receipt.

The Fund does not account for any benefits payable or receivable in respect of members wishing to transfer from one scheme to another until assets (either cash investments or other form) have been received by the receiving scheme.

All other income and expenditure has been accounted for on an accruals basis, except the liability to pay pensions and benefits in the future, which has been separately disclosed within the notes to the accounts.

Acquisition costs of Investments

Acquisition costs are included with the original book cost at the time of purchase. At the year end, however, investments on the balance sheet are valued at market value. The difference is recorded in the Accounts as "Change in Market Value of Investments".

Valuation of Investments

Investments are included in the financial statements on a fair value basis as at the reporting date. The values of investments as shown in the net assets statement have been determined in accordance with the requirements of the Code and IFRS 13. Valuation methods employed by the fund are detailed within Note 13c.

Foreign Currency Transactions

Overseas investments have been converted at WM/Reuters closing spot rates of exchange.

Taxation

Taxation	Treatment
UK Income Tax	The fund is an exempt approved fund able to recover UK Income Tax.
UK Capital Gains Tax	No Capital Gains Tax is Chargeable.
Value Added Tax	Accounts are shown exclusive of VAT. As the Council is the administering Authority, VAT is recoverable on all Fund activities.
Overseas Withholding Tax	Foreign investment income usually suffers withholding tax in the country of origin, some of which may be recoverable. Irrecoverable tax is netted off against income.

Notes to the Accounts

3. Critical judgements in applying accounting policies

Unquoted private equity investments

These are inherently based on forward looking estimates and judgements valued by the investment managers using two main sets of valuation guidelines that apply to private equity; the Private Equity Valuation Guidelines (PEVG) in the US and the International Private Equity and Venture Capital Valuation Guidelines (IPEVCG) outside the US.

Pension fund liability

This is calculated in accordance with IAS19 every three years by the actuary, with an annual statement in the intervening years. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary.

4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures based on assumptions made taking into account historical experience, current trends and other factors. As balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits	Estimations of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries increase, changes in mortality rates and expected returns on pension fund assets. The actuary provides the fund with advice regarding the assumptions to be used.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. An increase in assumed earnings inflation or assumed life expectancy would increase the value of the liabilities.
Private Equity Valuations	Private equity investments are valued at fair value in accordance with international accounting standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £82 million. There is a risk that this investment may be under, or overstated in the accounts.
Pooled Property Funds	Valuation techniques are used to determine the carrying amount of pooled property funds.	Changes in the valuation assumptions used, together with significant changes in rental growth could affect (increase or decrease) the fair value of property-based investments.

5. Titles of Ownership

Evidences of ownership for the property unit trusts and private equity holdings are held at County Hall. All other evidences of ownership were held at 31 March 2019 by The Northern Trust Company for the benefit of the Council. Statements of holdings have been provided by Northern Trust.

Notes to the Accounts

6. Membership of the Fund

Fund membership at 31 March 2019 is as follows:

2017/18		2018/19
37	Contributing employers	45
16,128	Contributors	16,193
11,128	Pensioners	11,554
12,757	Deferred pensioners	13,040
40,013	Total membership	40,787

7. Employing Bodies – Contributions

2018/19	No. of contributors at 31/03/2019	Employers £000	Employees £000	Total £000	Additional lump sum (memo) £000
Administering Body:					
Cardiff Council	10,036	(42,897)	(11,316)	(54,213)	0
Scheduled Bodies:					
Vale of Glamorgan Council	3,969	(14,127)	(3,809)	(17,936)	(4)
Town and Community Councils	58	(277)	(63)	(340)	0
Education Bodies	1,376	(6,071)	(2,245)	(8,316)	(1,006)
Other Scheduled Bodies	15	(114)	(33)	(147)	0
Admitted Bodies:					
Admitted Bodies	739	(6,282)	(1,160)	(7,442)	(2,420)
Total	16,193	(69,768)	(18,626)	(88,394)	(3,430)

2017/18	No. of contributors at 31/03/2018	Employers £000	Employees £000	Total £000	Additional lump sum (memo) £000
Administering Body:					
Cardiff Council	10,121	(39,310)	(10,501)	(49,811)	0
Scheduled Bodies:					
Vale of Glamorgan Council	3,878	(13,837)	(3,802)	(17,639)	(4)
Town and Community Councils	54	(266)	(63)	(329)	0
Education Bodies	1,376	(5,500)	(2,125)	(7,625)	(834)
Other Scheduled Bodies	17	(511)	(45)	(556)	(360)
Admitted Bodies:					
Admitted Bodies	682	(6,214)	(1,139)	(7,353)	(2,444)
Total	16,128	(65,638)	(17,675)	(83,313)	(3,642)

Additional deficit funding

There was no additional deficit funding in 2018/19 (no additional deficit funding in 2017/18).

Notes to the Accounts

8. Employing Bodies - Benefits Payable

2018/19	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Administering Body:				
Cardiff Council	41,735	8,777	1,685	442
Scheduled Bodies:				
Vale of Glamorgan Council	12,801	3,689	554	173
Town and Community Councils	228	53	0	0
Education Bodies	3,037	882	332	58
Other Scheduled Bodies	2,604	212	0	0
Admitted Bodies:				
Admitted Bodies	5,385	1,060	212	5
Total	65,790	14,673	2,783	678

2017/18	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Administering Body:				
Cardiff Council	39,968	6,521	561	297
Scheduled Bodies:				
Vale of Glamorgan Council	11,997	2,807	509	173
Town and Community Councils	217	29	0	0
Education Bodies	2,849	1,121	142	36
Other Scheduled Bodies	3,088	703	0	0
Admitted Bodies:				
Admitted Bodies	4,388	1,026	331	0
Total	62,507	12,207	1,543	506

9. Management Expenses

Management Expenses fully charged to the Fund are:

2017/18 £000		2018/19 £000
836	Administration costs	1,120
32	Audit fees	32
868	Total administration costs	1,152
6,774	Management fees	6,704
151	Custody fees	126
6,925	Total investment management expenses	6,830
109	Oversight and governance costs	101
7,902	Total	8,083

Note: 2017/18 has been reclassified to show split as per 2018/19.

Notes to the Accounts

10. Investment Income

2017/18 £000		2018/19 £000
(5,964)	UK fixed interest securities	(10,167)
(2,570)	Overseas fixed interest securities	(4,209)
(3,960)	UK equities and private equity funds	(4,638)
(1,715)	Pooled investments	(1,650)
(4,652)	Overseas equities	(4,615)
(2,207)	Pooled Property Unit Trust Income	(1,922)
(83)	Interest on UK cash	(196)
(96)	Securities lending	(101)
(21,247)	Total	(27,498)

11. Investments at Market Value

2017/18 £000		2018/19 £000
76,907	UK public sector fixed interest securities	92,014
332,432	UK other (pooled) fixed interest securities	286,132
143,580	Overseas public sector (pooled)	186,911
552,919	Total fixed interest	565,057
116,033	UK quoted equities & convertibles	119,317
178,074	Overseas quoted equities	179,868
294,107	Total quoted equities	299,185
403,603	UK unitised insurance policies (pooled)	425,357
95,505	UK other managed funds	96,964
377,472	Overseas unitised insurance policies (pooled)	411,205
74,759	Overseas other managed funds	76,440
951,339	Total pooled funds	1,009,966
134,177	Pooled property unit trusts (UK & Global)	155,944
79,302	Private equity	82,224
2,011,844	Subtotal	2,112,376
1,237	Derivatives: Forward currency contracts	(1,243)
1,237	Total derivatives	(1,243)
7,683	Fund manager's cash	15,214
26,729	Internal/custodian cash	34,355
2,177	Net investment proceeds due	2,703
36,589	Total cash	52,272
2,049,670	Total	2,163,405

Note: 2017/18 cash and pooled funds have been reclassified to show split as per 2018/19.

Notes to the Accounts

11a. Reconciliation in movement in investments

2018/19	Value at 31/03/18	Purchase at cost	Sale proceeds	Change in market value	Value at 31/03/19
	£000	£000	£000	£000	£000
Fixed interest securities	552,919	294,150	(292,012)	10,000	565,057
Equities	294,107	54,983	(47,302)	(2,603)	299,185
Pooled funds	951,339	920	0	57,707	1,009,966
Pooled property unit trusts	134,177	14,633	0	7,134	155,944
Private equity	79,302	7,268	(18,214)	13,868	82,224
Sub-total	2,011,844	371,954	(357,528)	86,106	2,112,376
Derivatives	1,237	2,813,437	(2,813,426)	(2,491)	(1,243)
Total derivatives	1,237	2,813,437	(2,813,426)	(2,491)	(1,243)
Managers' cash	7,683				15,214
Internal/custodian cash	26,729			(3,316)	34,355
Net investment proceeds due	2,177				2,703
Total cash	36,589			(3,316)	52,272
Total	2,049,670			80,299	2,163,405

2017/18	Value at 31/03/17	Purchase at cost	Sale proceeds	Change in market value	Value at 31/03/18
	£000	£000	£000	£000	£000
Fixed interest securities	278,714	591,905	(308,876)	(8,824)	552,919
Equities	329,083	70,577	(117,480)	11,927	294,107
Pooled funds	1,114,705	956	(190,000)	25,678	951,339
Pooled property unit trusts	126,298	857	0	7,022	134,177
Private equity	88,328	7,802	(25,933)	9,105	79,302
Sub-total	1,937,128	672,097	(642,289)	44,908	2,011,844
Derivatives	933	2,315,248	(2,321,678)	6,734	1,237
Total derivatives	933	2,315,248	(2,321,678)	6,734	1,237
Managers' cash	11,698				7,683
Internal/custodian cash	30,237			1,925	26,729
Debtors	1,993				2,177
Total cash	43,928			1,925	36,589
Total	1,981,989			53,567	2,049,670

Analysis of derivatives

Objectives and policies for holding derivatives

The holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. The use of derivatives is managed in line with the investment management agreement between the fund and the various investment managers.

Forward foreign currency

In order to maintain appropriate diversification and take advantage of overseas investment returns, a proportion of the fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the fund has a currency management overlay in place managed by Mesirow, which hedges significant long term currency movements to limit losses. The portfolio covers US dollar, Yen and Euro currencies.

Notes to the Accounts

12. Summary of manager's portfolio values

2017/18		Fund Manager	2018/19	
£000	% of Fund		£000	% of Fund
555,569	27.1	Aberdeen Asset Management	571,700	26.4
74,758	3.6	Aberdeen Emerging Markets	76,440	3.5
510,767	24.9	Blackrock Investment Management	565,841	26.2
95,505	4.7	Invesco Perpetual	96,964	4.5
87,414	4.3	JP Morgan	88,835	4.1
121,052	5.9	Majedie	125,788	5.8
95,323	4.7	Nikko	91,782	4.2
86,144	4.2	Schroder Investment Managers	91,989	4.3
182,895	8.9	State Street Global Advisers (SSGA)	181,886	8.4
134,177	6.5	Property	155,944	7.2
79,302	3.9	Private Equity Managers	82,224	3.8
2,090	0.1	Mesirow currency overlay & cash with custodian	2,644	0.1
24,674	1.2	Internally managed (Cash)	31,368	1.5
2,049,670	100.0	Total	2,163,405	100.0

12a. Investments exceeding 5% of net assets

The following investments represent more than 5% of the net assets available to pay benefits.

2017/18		Fund Manager	2018/19	
£000	% of net assets		£000	% of net assets
316,190	15.4	BlackRock Aquila Life UK Equities Indexed Fund	336,522	15.5
194,577	9.5	BlackRock Aquila Life US Equities Indexed Fund	229,320	10.5
182,895	8.9	SSGA MPF Europe ex UK Equities Active Fund	181,886	8.4
165,743	8.1	Aberdeen Corporate Bond Fund	174,416	8.0
111,342	5.4	Aberdeen Target Return Bond Fund	111,716	5.1
110,313	5.4	Aberdeen Global Government Bond Fund	107,749	4.9

Notes to the Accounts

13. Financial Instruments

13a. Classification of financial instruments

Value at 31/03/18				Value at 31/03/19		
Fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised costs £000		Fair value through profit and loss £000	Amortised Cost £000	Financial liabilities at amortised costs £000
552,919	0	0	Fixed interest securities	565,057	0	0
294,107	0	0	Equities	299,185	0	0
951,339	0	0	Pooled funds	1,009,966	0	0
134,177	0	0	Pooled property trusts	155,944	0	0
79,302	0	0	Private equity	82,224	0	0
147,144	0	0	Derivatives	137,741	0	0
0	36,589	0	Cash	0	52,272	0
1,237	0	0	Other investments	0	0	0
0	19,015	0	Debtors	0	17,014	0
2,160,225	55,604	0	Total financial assets	2,250,117	69,286	0
(145,805)	0	0	Derivatives	(138,984)	0	0
0	0	(2,101)	Creditors	0	0	(1,784)
(145,805)	0	(2,101)	Total financial liabilities	(138,984)	0	(1,784)
2,014,420	55,604	(2,101)	Net financial assets	2,111,133	69,286	(1,784)

13b. Net gains and losses on financial instruments

31/03/18 £000		31/03/19 £000
65,682	Fair value through profit and loss	86,803
65,682	Total financial assets	86,803
(12,228)	Fair value through profit and loss	(6,821)
113	Amortised cost	317
(12,115)	Total financial liabilities	(6,504)
53,567	Net financial assets	80,299

Notes to the Accounts

13c. Fair value – Basis of valuation

Investment	Valuation Method	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level 1 Quoted prices for similar instruments.			
Quoted Bonds (Fixed Interest Securities)	Market value based on current yields	Not required	Not required
Market Quoted Investments	Published bid market price at close of business on the final working day of the accounting period	Not required	Not required
Level 2 Traded in a market which is not considered to be active, or where valuation techniques are used to determine fair value which use inputs that are based significantly on observable market data.			
Pooled Investments - Quoted Equity	Closing bid price where bid and offer prices are published. Closing single price where single price published	Net Asset Value (NAV) based pricing set on a forward pricing basis	Not required
Derivatives - Forward Currency Contracts	Market forward exchange rates at the year-end date	Exchange rate risk	Not required
Level 3 Inputs not based on observable market data			
Private Equity Funds	Valuations provided by the general partners to the private equity funds in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability and control premium	Valuations may be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date (although updated to reflect calls/distributions made during this period), changes to expected cash flows and any differences between unaudited and audited accounts
Pooled Investments - Property Funds	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations may be affected by post balance sheet events, changes to expected cash flows and any differences between unaudited and audited accounts

Notes to the Accounts

13d. Fair Value Hierarchy

As detailed above, investments have been classified into three levels according to the quality and reliability of the information used to determine fair values. The following table provides an analysis of the assets and liabilities of the pension fund based on the level at which the fair value is observable.

Value at 31/03/19	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at fair value	864,242	1,147,707	238,168	2,250,117
Amortised Cost	69,286	0	0	69,286
Total financial assets	933,528	1,147,707	238,168	2,319,403
Financial liabilities at fair value	0	(138,984)	0	(138,984)
Financial liabilities at amortised cost	(1,784)	0	0	(1,784)
Total financial liabilities	(1,784)	(138,984)	0	(140,768)
Net financial assets	931,744	1,008,723	238,168	2,178,635

Value at 31/03/18	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at fair value	1,029,921	768,444	361,860	2,160,225
Loans and receivables	55,604	0	0	55,604
Total financial assets	1,085,525	768,444	361,860	2,215,829
Financial liabilities at fair value	0	0	(145,805)	(145,805)
Financial liabilities at amortised cost	(2,101)	0	0	(2,101)
Total financial liabilities	(2,101)	0	(145,805)	(147,906)
Net financial assets	1,083,424	768,444	216,055	2,067,923

13e. Reconciliation of fair value measurements within Level 3

2018/19	Market Value at 31/03/18	Transfers into level 3	Transfers out of level 3	Purchases	Sales	Unrealised gains/(losses)	Realised gains/(losses)	Market Value at 31/03/19
	£000	£000	£000	£000	£000	£000	£000	£000
Private equity	79,302	0	0	7,268	(18,214)	13,868	0	82,224
Pooled property unit trusts	134,177	0	0	14,633	0	7,134	0	155,944
Derivatives	1,339	0	(1,339)	0	0	0	0	0
Total	214,818	0	(1,339)	21,901	(18,214)	21,002	0	238,168

- a) Transferred from level 3 to level 2 due to an improvement in observable market data.
b) All transfers between levels are recognised at the end of the reporting period.

Notes to the Accounts

13f. Sensitivity of Assets Valued at Level 3

Having analysed historical data, current market trends, and consulted with independent investment advisors (Pensions and Investments Research Consultants Ltd (PIRC)), the fund has determined that the valuations methods described above for Level 3 investments are likely to be accurate to within the following ranges, and has set out the consequential impact below:

	Assessed valuation range (%)	Value at 31/03/19 £000	Value on increase £000	Value on decrease £000
Private Equity	10.5	82,224	90,841	73,607
Pooled Property Trusts	4.1	155,944	162,369	149,519
Total		238,168	253,210	223,126

14. Nature and extent of risks arising from financial instruments

The fund maintains positions in a variety of instruments, as dictated by the Statement of Investment principles (SIP), and is consequently exposed to credit and liquidity risk, as well as market risk including foreign exchange and interest rate risks.

The Fund's primary long-term risk is that the fund's assets will fall short of its liabilities and will be unable to pay the promised benefits to members. The aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows.

The management of risk is a key objective of the Pension Fund. A policy of diversification of its asset classes and investment managers helps the Pension fund to lower risk arising from financial instruments. Benchmarks for asset allocation and targets against which investment managers are expected to perform are further measures which are put in place in order to manage risk.

Market risk is the risk that the fair value or future cash flows of an institution will fluctuate because of a change in market price.

In order to manage risk, the Fund invests in a diversified pool of assets, split between a number of managers with different performance targets and investment strategies. In order to mitigate risk, the Fund regularly reviews the pension fund investment strategy together with regular monitoring of asset allocation and investment performance.

Interest rate risk is the risk to which the Pension Fund is exposed to fluctuations in interest rates and mainly relates to changes in bonds.

To mitigate the risk, the Fund holds a fixed interest portfolio managed by Aberdeen Asset Management, the appointed active bond manager.

Interest Rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. The analysis below shows the effect of a 100 basis point (1%) movement in interest rates on the net assets available to pay benefits:

Asset Type	Carrying Amount as at 31/03/19	Change to the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash and cash equivalents	51,029	510	(510)
Fixed interest securities	565,057	5,651	(5,651)
Total	616,086	6,161	(6,161)

Notes to the Accounts

Asset Type	Carrying Amount as at 31/03/18	Change to the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	37,826	378	(378)
Fixed interest securities	552,919	5,529	(5,529)
Total	590,745	5,907	(5,907)

Currency risk is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates. The Fund's Global Bonds and North American, European and Japanese Equities portfolios are covered by currency hedging arrangements. Fund managers will also take account of currency risk in their investment decisions.

Following analysis of historical data and consulted with independent investment advisors Pensions and Investments Research Consultants Ltd (PIRC), the fund's aggregate currency change has been calculated as 6.10%. A 6.10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure – asset type	Asset Value as at 31/03/19	Change to net assets available to pay benefits	
		+ 6.1%	- 6.1%
	£000	£000	£000
Overseas quoted securities	179,868	190,840	168,896
Overseas pooled funds	487,645	517,391	457,899
Overseas pooled property	52,325	55,517	49,133
Total change in assets available	719,838	763,748	675,928

Currency exposure – asset type	Asset Value as at 31/03/18	Change to net assets available to pay benefits	
		+ 9.3%	- 9.3%
	£000	£000	£000
Overseas quoted securities	644,105	704,007	584,203
Total change in assets available	644,105	704,007	584,203

Price risk is the risk of losses associated with the movement in prices of the underlying assets. By diversifying investments across asset classes and managers, the Pension Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst employing specialist managers enables the Fund to benefit from investment expertise.

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of assets over the last three years, applied to the period end asset mix. The total volatility shown below for total assets incorporates the impact of correlation across currencies, which dampens volatility, therefore the value on increase and value on decrease figures for the currencies will not sum to the total figure.

Notes to the Accounts

Asset type	Value at 31/03/19 £000	Percentage change %	Value on increase £000	Value on Decrease £000
UK Equities	641,638	8.95	699,065	584,211
Overseas Equities	667,513	10.13	735,132	599,894
Fixed Interest (Bonds)	565,057	3.64	585,625	544,489
Cash and Cash Equivalents	51,029	0.13	51,095	50,963
Private Equity	82,224	10.48	90,841	73,607
Property	155,944	4.12	162,369	149,519
Total Assets	2,163,405	6.09	2,295,156	2,031,654

Asset type	Value at 31/03/18 £000	Percentage change %	Value on increase £000	Value on Decrease £000
UK Equities	620,161	8.70	674,115	566,207
Overseas Equities	633,697	10.50	700,235	567,159
Fixed Interest (Bonds)	555,569	4.70	581,681	529,457
Cash	26,764	0.10	26,791	26,737
Private Equity	79,302	9.00	86,439	72,165
Property	134,177	3.90	139,410	128,944
Total Assets	2,049,670	6.80	2,189,048	1,910,292

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The Fund reviews its exposure to credit and counterparty risk through its external investment managers. The Fund is also exposed to credit risk through its securities lending programme run by the Fund's custodian, Northern Trust who manages and monitors the counterparty risk, collateral risk and the overall lending programme.

The Pension Fund's bank account is held with the Lloyds bank. Surplus cash is not invested with Lloyds but is placed with a selection of AAA Money Market institutions. The Fund's internally managed cash holding under its treasury management arrangements is held with the following institutions:

	Fitch Rating	31/03/18 £000	31/03/19 £000
Money market funds			
Aberdeen Standard Liquidity - Sterling Fund	AAA	12,025	12,000
Blackrock ICS Sterling Liquidity Fund	AAA	11,925	12,000
Deutsche Global Liquidity - Sterling Fund	AAA	0	7,650
Bank current account			
Lloyds Bank	A	723	(282)
Total		24,673	31,368

The pension fund has experienced no defaults from fund managers, brokers or bank accounts over the past ten years, therefore no expected credit loss provision is required.

Liquidity risk represents the possibility that the Fund may not have funds available to meet its financial obligations. The current position of the Fund is that it is cash positive, which reflects the fact that contributions into the Fund exceed benefits being paid out. The Fund's cash is kept in a separate bank account and the cash position is monitored on a daily basis. Surplus funds are deposited in money market funds on a short term basis. At an investment level, the Funds' investments are substantially made up of listed securities which are considered readily realisable.

Notes to the Accounts

15. Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice requires the disclosure of the actuarial present value of promised retirement benefits calculated on an IAS 19 basis, as set out in IAS 26.

Therefore, in addition to the triennial funding valuation, the fund's actuary undertakes a valuation of the pension fund liabilities on an IAS 19 basis at the same date. The IAS 19 valuation is carried out using updated actuarial assumptions from those used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The most recent actuarial valuation based on IAS 19 is shown below:

31/03/2013 £m		31/03/2016 £m
2,029	Actuarial Present Value of Promised Retirement Benefits	2,274

16. Additional Voluntary Contributions (AVC)

Scheme members may elect to make additional voluntary contributions to enhance their pension benefits. Contributions are made directly from scheme members to the AVC provider and are therefore not represented in these accounts in accordance with section 4(2)b of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093). However, as the administering authority, we oversee the following AVC arrangements:

2017/18 £000		2018/19 £000
721	AVC paid during the year	648
3,700	Market Value of separately invested AVC's	3,902

17. Contractual Commitments

As at 31 March 2019 the Fund had outstanding private equity commitments of a maximum of £44.264 million (£47.137 million at 31 March 2018).

As at 31 March 2019 the Fund had forward currency contracts amounting to £137.741 million of purchases and £138.984 million of sales, showing an unrealised loss of £1.243 million.

18. Securities Lending

At the year end the value of quoted equities on loan was £68.619 million (£108.126 million at March 2018) in exchange for which the custodian held collateral of £72.760 million (£114.020 million at March 2018). For the year ending 31 March 2019, the Fund received income of £101,000 from the lending of stock.

19. Provisions and Contingent Liabilities

A number of death grants have been identified where the Fund has been unable to trace the next of kin meaning no payment has been made to date. Where contact has been made it is expected that these cases will be resolved within the year, whilst cases where no contact has been made successfully are expected to exceed a year.

Due to the uncertainty surrounding the timing of these payments and final amounts payable, a provision for £0.807 million has been created during 2018/19, which consists of £0.105 million short term, £0.558 million long term and £0.144 million of estimated interest.

The Fund has no material contingent liabilities.

Notes to the Accounts

20. Related Party Transactions

The relationship between the employers and the Pension Fund is, by its very nature, close. Therefore, each participating employer is considered a related party.

Other related party transactions with the Council are:

- Cash invested internally by the Council (for working capital purposes) – see Note 12.
- Administration expenses charged to the Fund by the Council are shown in Note 9.
- Paragraph 3.9.4.3 of the Code of Practice exempts Local Authorities from the key management personnel disclosure requirements of IAS24 on the basis that requirements for officer remuneration and members' allowances is detailed in section 3.4 of the Code and can be found in the Cardiff Council Statement of Accounts.

21. Contributing Employers

The active contributing employers as at 31 March 2019 are detailed below:

Administering Body	
Cardiff Council	
Scheduled Bodies	
Councils	Town and Community Councils
Vale of Glamorgan Council	Barry Town Council
Education Bodies	Cowbridge Town Council
Cardiff And Vale College	Lisvane Community Council
Cardiff Metropolitan University	Llantwit Major Council
St David's Sixth Form College	Penarth Town Council
Stanwell Comprehensive	Penllyn Community Council
Other Scheduled Bodies	Pentyrch Community Council
Cardiff Bus	Radyr & Morganstown Community Council
Public Services Ombudsman For Wales	Wenvoe Community Council
Admitted Bodies	
A and R Cleaning Gabalfa	Eisteddfod Genedlaethol Cymru
A and R Cleaning Greenway	Glen Cleaning (Barry Comprehensive)
A and R Cleaning Lansdowne	Glen Cleaning (Eastern High)
A and R Cleaning Trowbridge	Glen Cleaning (Gladstone Primary)
A and R Cleaning Whitchurch	Glen Cleaning (Llandough)
Adult Learning Wales	Greenwich Leisure Limited (GLL)
Cardiff Business Technology Centre	Grangetown Primary Cleaning (APP)
Cardiff University	Mirus Wales
Careers Wales (Cardiff And Vale)	National Trust (Dyffryn)
Children In Wales	One Voice Wales
Circle IT (Cowbridge Comprehensive)	Play Wales
Circle IT (Eastern High)	Sports Council for Wales
Colegau Cymru - Colleges Wales	St Teilos Cleaning (APP)
Design Commission For Wales	Wales Council For Voluntary Action

22. Events After the Reporting Period

There are no events after the reporting period to report.

23. Date of Authorisation of the Accounts for Issue

This Statement of Accounts was authorised for issue on (*TBC following audit*) by the Corporate Director Resources. Post balance sheet events have been considered up to this date.

Glossary

Knowledge of basic accountancy terminology is assumed. However, there are certain specialist terms related to local government finance, which are described below:

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Active / Passive Management

Active management is the traditional form of investment management involving a series of individual investment decisions that seek to maximise returns by exploiting price inefficiencies i.e. 'beat the market'.

Passive management is a low cost alternative where managers normally hold stocks in line with a published index, such as the FTSE All-Share, not seeking to outperform but to keep pace with the index being tracked.

Actuary

An independent consultant who advises on the long-term viability of the Fund. Every three years the Fund actuaries review the assets and liabilities of the Fund and report to the Council on the financial position and recommended employer contribution rates. This is known as the actuarial valuation.

Actuarial Gains and Losses

For a defined benefit pensions scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation, or the actuarial assumptions have changed.

Active Member

Current employee who is contributing to a pension scheme.

Admitted Body

An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

Asset Allocation

Apportionment of investment funds among categories of assets, such as Bonds, Equities, Cash, Property, Derivatives, and Private Equity. Asset allocation affects both risk and return.

Benchmark

A measure against which the investment policy or performance of an investment manager can be compared.

Bonds

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

Cash and Cash Equivalents

Sums of money available for immediate use and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Chartered Institute of Public Finance & Accountancy (CIPFA)

CIPFA is the leading professional accountancy body which determines accounting standards and reporting standards to be followed by Local Government.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

Custodian

Bank or other financial institution that keeps custody of stock certificates and other assets of a client, collects dividends and tax refunds due, and settles any purchases and sales.

DCLG

The Department for Communities and Local Government, the department of the UK Government responsible for the LGPS in England and Wales.

Debtors

These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

Deferred Pensioner

A member who has stopped paying into the scheme but is not yet retired.

Defined Benefit Scheme (Pensions)

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme (Pensions)

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Derivative

A derivative instrument is a contract whose value is based on the performance of an underlying financial asset, index, or other investment.

Emerging Markets

Relatively new and immature stock markets for equities or bonds. Settlement and liquidity can be less reliable than in the more established 'developed' markets, and they tend to be more volatile.

Employer Contribution Rates

The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

Equities

Ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and may normally vote at shareholders' meetings.

Glossary

Fair Value

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial Assets

Financial assets are cash, equity instruments within another entity (e.g. shares) or a contractual right to receive cash or another asset from another entity (e.g. debtors) or exchange financial assets or financial liabilities under potentially favourable conditions (e.g. derivatives).

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Financial Liabilities

Financial liabilities are contractual obligations to deliver cash or another financial asset (e.g. creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (e.g. derivatives).

Fixed Interest Securities/Bonds

Investments, especially in government stocks, with a guaranteed rate of interest. Conventional bonds have fixed rates, whilst Index Linked vary with inflation. They represent loans repayable at a stated future date, and which can be traded on a stock exchange in the meantime.

Fund Manager

A fund that handles investments on behalf of the pension fund according to an agreed investment mandate.

Fund of Funds

A pooled fund that invests in other pooled funds. They are able to move money between the best funds in the industry, and thereby aim to lower stakeholder risk with greater diversification than is offered by a single fund.

Impairment

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in an asset's market value.

Index

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

ISS

The Investment Strategy Statement which each LGPS fund is required to prepare and keep under review.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

LGPS

The Local Government Pension Scheme, governed by regulations issued by the Department for Communities and Local Government.

Glossary

Materiality

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

Myners Principles

The six principles which a LGPS Fund must comply with:

1. Effective decision making
2. Clear objectives
3. Risk and liabilities
4. Performance assessment
5. Responsible ownership
6. Transparency and reporting

Pension Fund

A fund built up from deductions from employees' pay, contributions from employers and investment income from which pension benefits are paid.

Pensioner

A scheme member who received a pension from the Fund.

Pooled Funds

Pooled investment vehicles issue units to a range of investors. Unit's prices move in response to changes in the value of the underlying portfolio, and investors do not own directly the assets in the fund. The main types are: unit trusts, open-ended investment companies (OEICs), insurance linked vehicles and investment trusts.

Portfolio

A collective term for all the investments held in a fund, market or sector. A segregated portfolio is a portfolio of investments of a specific type held directly in the name of the investor e.g. Global Bonds, or a specific market e.g. UK Equities, Far East Equities.

Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Private Equity

Investments made by specialist managers in all types of unlisted companies rather than through publicly tradable shares.

Provisions

Amounts set aside in respect of liabilities or losses which are likely or certain to be incurred, but in relation to which the exact amount and date of settlement may be uncertain.

Related Parties

Related parties are Central Government, other local authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Glossary

Return

The total gain from holding an investment, including both income and any increase or decrease in market value. Returns over periods longer than a year are usually expressed as an average annual return.

Scheme Employers

Local authorities and bodies specified in the LGPS Regulations, whose employees are entitled automatically to be members of the Fund, and Admission Bodies including voluntary, charitable and similar bodies, carrying out work of a public nature, whose staff can become members of the Fund by virtue of an admission agreement with the Council.

Scheduled Body

An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

Unit Trust

A collective investment fund that is priced, bought and sold in units that represent a mixture of the securities underlying the fund.

Unrealised Gains / Losses

The increase or decrease in the market value of investments held by the fund since the date of their purchase. Note: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

Mae'r dudalen hon yn wag yn fwriadol



AUDIT COMMITTEE: 25 JUNE 2019

**ANNUAL GOVERNANCE & SENIOR MANAGEMENT ASSURANCE
STATEMENTS 2018/19**

REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 8.1

Reason for Report

1. The Audit Committee's Terms of Reference requires Members to review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk and internal control.
2. Specific components of the AGS reported individually to the Audit Committee are the biannual Senior Management Assurance Statements (SMAS) and the AGS Action Plan of significant governance issues, following approval by the Senior Management Team. This report provides members of the Audit Committee with these outcomes at the year-end SMT review and the associated disclosures for inclusion in the AGS 2018/19 together with the full AGS for 2018/19 that will sit alongside the Council's Statement of Accounts.

Background

3. Senior Management Assurance Statements (SMAS) are used to assess governance maturity in application of the 'Delivering Good Governance in Local Government' framework, developed by CIPFA / SOLACE.
4. Through the SMAS, each Director responds to 23 good governance statements using a 5-point maturity scale for their areas of responsibility ranging from 'not in place', 'limited application', 'mixed application', 'strong application' to 'embedded'. Prior to submitting their returns, each Director is required to obtain underlying assurances from their management teams to support a directorate-wide response to each statement.
5. All SMAS returns are subject to challenge, review and approval in SMT. From the SMT meeting in May 2019, the following disclosures were approved, subject to a small level of moderation:
 - The agreed position of the Directorate Self Assurance levels
 - The Thematic Rankings of the 9 Categories of the model
 - An overall 'SMT Assurance Statement' to include in the AGS (Appendix A)
 - An 'Action Plan' of Significant Governance Issues for the AGS (Appendix B)
6. The Audit Committee reviewed the mid-year SMAS position and Action Plan on 22nd January 2019. The draft AGS for the financial year 2018/19 was presented to Audit Committee on 2nd April 2019, containing a gap for the results of the SMAS exercise, as the review takes place following the financial year-end.

Issues

Senior Management Assurance Statements

7. The 2018/19 process built on the previous year's by requiring a more comprehensive evidence base to support the assessment of the assurance level. Since the mid-year position, reported at the Audit Committee on 22nd January 2019, Directors have completed their end of year assessments and completed Senior Management Assurance Statements. As a reminder each of the 23 assurance statements are self-assessed and scores attributed to each, and in turn a score for each of the 9 Categories. This provides the opportunity to understand the overall level of self-assurance by directorate, a thematic view of the whole Council and highlights the areas to brought forward as significant governance issues.

Directorate View

8. This view is based on the 5-point maturity scale for their areas of responsibility ranging from 'not in place', 'limited application', 'mixed application', 'strong application' to 'embedded'.

Directorate	Self-Assurance Level
Economic Development	Mixed (bordering on Strong Assessment)
Education	Mixed (higher range of Assessment)
Governance and Legal Services	Mixed (middle range of Assessment)
People and Communities	Strong (lower range of Assessment)
Planning, Transport and Environment	Mixed (middle range of Assessment)
Resources	Mixed (bordering on Strong Assessment)
Social Services	Mixed (middle range of Assessment)

9. 2018/19 saw changes to the directorate structures and the services contained within directorates which does not make a year on year comparison possible.

Thematic View

10. This view is based on the 5-point maturity scale for their areas of responsibility ranging from 'not in place', 'limited application', 'mixed application', 'strong application' to 'embedded'.

Assurance Categories	Self – Assurance Level
Budget Monitoring	Mixed (higher range of Assessment)
Risk Management	Strong (middle range of Assessment)
Fraud and Financial Impropriety	Mixed (middle range of Assessment)
Performance Measurement and Management	Mixed (higher range of Assessment)
Programme and Project Assurance	Mixed (middle range of Assessment)
Internal Control Environment	Mixed (higher range of Assessment)
Compliance with Policies, Rules and Regulatory Requirements	Mixed (higher range of Assessment)
Planning and Decision Making	Mixed (middle range of Assessment)
Partnership and Collaborative Governance	Limited (higher range of Assessment)

11. The increasing evidence base required for assessments has highlighted a shift to approaching Strong. The maturity assessment for 2017/18 highlighted opportunities to enhance the discipline of partnership governance and also identified opportunities, in some directorates, to target improvements in internal controls, compliance, the prevention and detection of fraud, budget monitoring, aspects of business planning and programme and project assurance. The 2018/19 maturity assessment also highlighted opportunities to enhance the discipline of partnership governance, planning and decision making, and compliance. These areas form the basis of the Annual Governance Statement Action Plan.

Update on AGS Action Plan 2017/18

12. The actions related to **capacity and decision making** were completed and those related to **commissioning capability and capacity** were met in part by refocussing key elements of commissioning into the Digital and Service Review Programmes.
13. The actions related to **robust and sustainable savings** were completed and governance arrangements are in place and that the issue of **relevant costs and decision making** focussed on raising awareness, business case development and the role of the Investment Review Board. Whilst **partnership and collaborative governance** has moved forward in relation to the development of the Public Services Board, governance related to regional partnerships remains an area to build upon through the introduction of the Corporate Framework for Working in Partnership.

Significant Governance Issues 2018/19

14. At SMT in May 2019 consideration was given to the issues brought forward from the analysis of the Senior Management Assurance Statements and considered that the following represent the most significant governance areas that require monitoring, reporting and management at the senior level.

- 'Informed, evidenced based decision making' including aspects of Future Generations and further assurance work in relation to partnership and collaborative governance
- Compliance, specifically around understanding the gaps in the compliance (conformance) with the corporate process to provide a more focussed assessment

15. These issues form the basis of the Action Plan of Significant Governance Issues (Appendix B) to be managed and formally reviewed on a bi-annual basis during 2019/20.

Annual Governance Statement

16. Audit Committee, in line with the Terms of Reference, provided comments on the draft AGS on 2nd April 2019 and as a result the AGS includes information related to the work of the Health and Safety Forum in 2018/19 as well as the results of the end of year Senior Management Assurance Statement process. The AGS has also been updated to include Statements from the

- Audit Manager
- Audit Committee
- Senior Management

Reason for Recommendation

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

Legal Implications

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

Financial Implications

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

Recommendation

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

Christopher Lee
Corporate Director Resources
 June 2019

The following Appendices are attached:

Appendix A - SMT Assurance Statement 2018/19

Appendix B - Action Plan of Significant Governance Issues

Appendix C - Annual Governance Statement 2018/19

Mae'r dudalen hon yn wag yn fwriadol

Senior Management Statement

1. As a Senior Management Team we have self-assessed directorate and corporate governance arrangements in place during 2018/19. The assessment was based on the governance maturity which we could evidence within each Directorate against a series of assurance statements. Each Director was responsible for completing a robust assessment of governance within their directorate and identifying and reporting significant governance issues. The Senior Management Team reviewed all returns in May 2019, from which the Chief Executive authorised the overall position.
2. The Senior Management Assurance process and engagement within our Directorate Management Teams has led to a more transparent discussion around evidencing our assessments. We can report an overall assessment of approaching 'strong' application of good governance across the assurance areas with some examples of embedded and limited in some assurance areas in some directorates. This assessment was based on a self-assessment using a 5-point rating system ranging from 'not in place', 'limited application', 'mixed application', 'strong application' to 'embedded'. The Senior Management focus is on ensuring that there is a wider consistency of strong across directorates and the Council which reflects the findings identified through the Senior Management Assurance process and operational reviews.
3. The maturity assessment highlighted opportunities to further enhance the disciplines of partnership and collaborative governance and compliance the detail of which is presented in the Annual Governance Statement Action Plan. The Senior Management Team recognises the need to prioritise actions for enhancement to enable strong evidence of application across all areas going forward.
4. In relation to the work of the Senior Management Team in 2018/19 we continued to collectively own the Corporate Risk Register, we reviewed all corporate risks quarterly, and monitored progress against the action plan of significant governance issues.
5. The Chief executive has emphasised the importance of achieving consistent standards of governance and control across all directorates, and has reinforced these expectations to be monitored and managed through the senior management assurance statement process as we enter 2019/20.

Mae'r dudalen hon yn wag yn fwriadol

Issues	Actions
<p>'Informed, evidenced based decision making' including aspects of Future Generations and further assurance work in relation to partnership and collaborative governance</p>	<p>Review the decision making processes to ensure that all aspects connected with legal and regulatory compliance are embedded into the processes to support the management of risk</p>
	<p>Further strengthen and develop compliance information provided through the Assurance SMT as part of the decision making process and identify where improvements are needed as appropriate</p>
	<p>Implement the Partnership and Collaborative Governance Framework to improve the assurance around the governance of these models of service delivery</p>
	<p>Embed a consistent understanding and application of the Future Generations principle and five ways of working in its endeavours to improve outcomes for its citizens</p>
<p>Compliance, specifically around understanding the gaps in the compliance (conformance) with the corporate process to provide a more focussed assessment</p>	<p>Review the compliance framework to ensure that all aspects are reflected in the 'Compliance Category' of the Senior Management Assurance Statement</p>
	<p>Implement the process of triangulation of Assurance Statements in line with the Council's Code of Corporate Governance and provide feedback through the Relationship Management Process to ensure that all aspects of compliance are representative</p>

Cardiff Council Annual Governance Statement 2018/19



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Scope of Responsibility

1. Cardiff Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.
2. The Council is responsible for the Cardiff Harbour Authority. The Council is also the Administering Authority for the Cardiff and Vale of Glamorgan Pension Fund (the Pension Fund) and Cardiff Port Health Authority (CPHA), and is the Accountable Body for the Cardiff Capital Region (CCR) City Deal. The governance arrangements detailed in this Annual Governance Statement (AGS) are documented in consideration of the Council's areas of responsibility, and the extent to which the Council is charged with governance.
3. The Council has adopted the 'Delivering Good Governance in Local Government' framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This statement explains how the Council has complied with the Governance Framework and meets the requirements of the Accounts and Audit (Wales) Regulations 2014, as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018.
4. The governance arrangements in the Council's three wholly owned subsidiary companies which traded in 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.

The Purpose of the Governance Framework

5. The Governance Framework comprises the systems, processes, culture and values by which the Council is directed, controlled, and the means through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The Council's Constitution sets out how decisions are made and the procedures which are followed through rules, codes of practice and protocols.
6. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives but is based on an ongoing process to identify, prioritise and appropriately manage risk.

7. The Code of Corporate Governance 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). This Code was approved at the Constitution Committee on 11th February 2019 and is included in the Council's Constitution.

The Governance Framework

8. 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
- c. 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

Assessment Process and Summary

9. The AGS summarises the assessment of governance against the governance framework and comprises three elements:
 - 1) Statements from Senior Management, the Audit Manager and the Audit Committee
 - 2) Supporting information and evidence mapped to the core and supporting good governance principles
 - 3) A Senior Management review of the Council's significant governance issues
10. 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.
11. For further information and detail, supporting information is mapped to the governance framework principles (a-g) within the AGS, and followed by an open

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

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

Fig1



i) Assurance Statements

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

Senior Management Statement

14. As a Senior Management Team we have self-assessed directorate and corporate governance arrangements in place during 2018/19. The assessment was based on the governance maturity which we could evidence within each Directorate against a series of assurance statements. Each Director was responsible for completing a robust assessment of governance within their directorate and identifying and reporting significant governance issues. The Senior Management Team reviewed all returns in May 2019, from which the Chief Executive authorised the overall position.
15. The Senior Management Assurance process and engagement within our Directorate Management Teams has led to a more transparent discussion around evidencing our assessments. We can report an overall assessment of approaching ‘strong’ application of good governance across the assurance areas with some examples of embedded and limited in some assurance areas in some directorates. This assessment was based on a self-assessment using a 5-point rating system ranging from ‘not in place’, ‘limited application’, ‘mixed

application', 'strong application' to 'embedded'. The Senior Management focus is on ensuring that there is a wider consistency of strong across directorates and the Council which reflects the findings identified through the Senior Management Assurance process and operational reviews.

16. The maturity assessment highlighted opportunities to further enhance the disciplines of partnership and collaborative governance and compliance the detail of which is presented in the Annual Governance Statement Action Plan. The Senior Management Team recognises the need to prioritise actions for enhancement to enable strong evidence of application across all areas going forward.
17. In relation to the work of the Senior Management Team in 2018/19 we continued to collectively own the Corporate Risk Register, we reviewed all corporate risks quarterly, and monitored progress against the action plan of significant governance issues.
18. The Chief Executive has emphasised the importance of achieving consistent standards of governance and control across all directorates, and has reinforced these expectations to be monitored and managed through the senior management assurance statement process as we enter 2019/20.

Audit Manager Statement

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

19. The PSIAS state that the 'Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.' This must be based upon an objective assessment of the framework of governance, risk management and control. It must also include an evaluation of the adequacy and effectiveness of controls in responding to risks within the governance, operations and information systems.
20. This opinion has been prepared by the Audit Manager, based on the provisions of the PSIAS. In preparing and forming this opinion, assurance has been taken from a number of sources, including:
 - *Assurance Audit Assignments* – work undertaken through the risk-based annual audit plan, with delivery prioritised to maximise assurance and added value. The audit plan is responsive to risk and informed by audit information and existing assurances, information from Senior Management, and monitoring of Council activity, strategy, risks, and wider assurance sources.
 - *Discussion with Senior Managers* – quarterly relationship manager meetings with Directors, Audit Manager attendance at Assurance Senior Management Team meetings, and regular meetings with the Corporate Director Resources (Section 151 Officer) and the Chief Executive.
 - *Consultancy* - advice and guidance offered generally or on specific matters, including the design and development of new processes, such as Procure to Pay (P2P) and a wider process and control reviews, such as a Service Review for Social Services.

- *Risk & Governance* – assurance reviews on the co-ordination of the Corporate Risk Register, the management disclosures which support the Annual Governance Statement, and wider governance reviews (including programmes and projects and financial / contract procedures).
21. Based on the programme of audit work undertaken to assess internal controls and reviews of governance and risk management arrangements, it is considered that the application of the overall framework for control within the Council for 2018/19 is **effective with opportunity for improvement**. This opinion is based on the delivery of a comprehensive audit plan, and an acknowledgment of the increasing pressure on resources in both demand and budgets, which has been managed through a resilient performance culture.
 22. The control environment for core financial systems, and for the majority of audits overall (70%) was considered as adequate, and allocated an effective audit opinion. Twenty audits have been given an audit opinion of “insufficient with major improvement needed” recognising the need for attention to achieve sound controls, and six audits were given “unsatisfactory” opinions in certain Schools, School Traded Services, and areas of Waste Management. Allegations of fraud isolated within the Waste Management Service have been robustly investigated and are being managed in accordance with the Council’s disciplinary policy, and through Police liaison. Audit assurance and support, targets and follows up on the highest risk areas.

Audit Committee Statement

23. Based on the evidence presented to the Audit Committee during 2018/19, it is the considered view of the Committee that the Council does have, for the most part, sound internal controls and governance arrangements in place. Strategic risks representing the true challenges facing the Council are well captured and reviewed on a regular basis. Examples of where the Committee continues to have concerns, which will be incorporated into the Committee’s Work Programme for 2019/20, include:

<p>Budget Management</p>	<p>The Audit Committee recognises the sustained financial pressure that the Council is under and notes that whilst the overall financial position was projected to be balanced, some particular directorates had projected significant overspends, for which controls have been in need of improvement.</p> <p>The Audit Committee continues to raise concerns about the controls in place within directorates to achieve budget savings proposals put forward, which is increasingly important as the financial parameters within which the Council operate become further constrained. The Committee will be interested in the level of savings achieved in 2019/20 and will reinforce expectations for delivery given the significant financial pressures facing the Council.</p>
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<p>Internal Control</p>	<p>The continuing reduction in resources, together with a growing population and greater demand for public services, mean that the Council is facing significant challenges in how it delivers services. At a time when many decisions have to be finance driven, it is essential that internal controls are not neglected or impaired, and that strong controls operate throughout reformed processes and systems.</p> <p>The Audit Committee has invited senior officers to attend each Committee meeting this year, to account for their delivery of good governance, risk management and internal control. In addition, the Audit Committee has continued to receive the details of all Internal Audits completed, and the respective assurance ratings. We have observed isolated internal control gaps in areas of Waste Management, and within certain Schools and School Traded services. Whilst the number of unsatisfactory Internal Audit opinions remain low, management must maintain sound systems of internal control and promptly address identified weaknesses. The Audit Committee is aware of the allegations of fraud within the Waste Management Service, which have been investigated within the Council and referred to the Police. Once associated disciplinary procedures have concluded, Audit Committee will seek assurance on the robustness of post investigation review.</p> <p>The Committee receives a list of all Internal Audit recommendations raised and agreed, and visibility of updated management comments until the point of implementation. Whilst the Audit Committee has an overall assurance of internal control, we continue to require officers to account for services or functions where internal control weaknesses have been identified. We continue to challenge any impairment in stewardship and control of public funds and assets, seeking prompt and proportionate management actions. The Audit Committee has approved the 2019/20 Internal Audit Plan and will closely monitor its progress and findings over the year.</p>
<p>Financial Resilience (including Treasury Management)</p>	<p>In a position of austerity, the Audit Committee is focussed on ensuring that financial decisions are made for the benefit the organisation over the medium and long term, in addition to meeting current service needs. The Audit Committee has received updates on financial resilience as part of the finance updates and has welcomed the assurance to be gained from an ongoing external review of the Council Treasury Management activities, by the Council's Treasury Management advisors. The outputs of this review will inform our focus in 2019/20.</p> <p>The Audit Committee will continue to look to gain assurance of sound treasury management practices and strategy. This is vital work, which will both safeguard and deliver best value from the</p>

	<p>Council's borrowing and investments. The Audit Committee has and will continue to satisfy itself that the levels and profiles of investments and borrowing throughout the year are appropriate and in line with the Treasury Management Practices, Strategy and Reports presented.</p>
<p>Schools Governance & Compliance</p>	<p>Audit Committee has raised concerns about governance and compliance matters in schools for some time, which are regularly responsible for a greater proportion of audit reports giving concern. This year, whilst we have received comfort from the assurances given through school governance themed audit work, certain schools have not achieved a satisfactory level of stewardship and internal control.</p> <p>In view of an ongoing need for regular school governance assurance, Audit Committee has arranged to receive an update from the Director of Education and Lifelong Learning twice a year on the monitoring, controls and progress of governance improvements in Schools for which an assurance gap has been identified. This is with the understanding that Audit Committee can request the attendance of those directly responsible for governance at an individual school level, to a Committee meeting, in the event that assurances are not considered as acceptable.</p> <p>The Committee acknowledges that the Council is not able to set rules for schools to adhere to regarding contracting matters, albeit advice can be offered on good practice. This area of interest remains a priority of the Audit Committee. The Audit Committee continues to support the production and use of best practice guidance in schools to strengthen financial stewardship and control.</p>

ii) Governance Framework - Supporting Information

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

24. 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
25. The Director of Governance and Legal Services is the Monitoring Officer, has 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.
 26. 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.
 27. In 2018/19 the Monitoring Officer was notified of a total of twelve complaints relating to Member conduct. The Monitoring Officer has not referred any of these complaints to the Public Services Ombudsman, however, six complaints were made directly by the complainants to the Ombudsman. Four of the complaints relate to one Member's activities in connection with a particular organisation. Two of these complaints were made directly to the Ombudsman. One these two matters the Ombudsman determined that it was not appropriate to investigate these complaints. The other two related 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 eight 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. Two complaints remain awaiting the decision of the Ombudsman.
 28. 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.
 29. 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.
 30. 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’.

31. 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.
32. 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.
33. The Member Exit Survey will be undertaken towards the end of an administrative period with the next Survey scheduled for March 2022.
34. 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.
35. 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.
36. 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
37. 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
38. 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.
39. 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 new whistleblowing cases reported to the Monitoring Officer in 2018/19.
40. 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.
41. 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.

42. 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.
43. 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.
44. 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.
45. 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.
46. 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.

47. 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.
48. 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.
49. 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 3rd 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.
50. 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.

51. 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.
52. 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
53. 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 it's 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
54. The four year Capital Ambition Delivery Programme replaced the Council's Organisational Development Programme (ODP) in 2017/18, 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
55. 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 CCRC involves the UK Government, Welsh Government and ten Council's working together, through joint enterprise.

56. 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.
 57. During 2018/19 the Wales Audit Office reviewed the governance arrangements put in place to support the CCR 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, that there are lessons to be learnt for future investment decisions by the CCR City Deal and other similar partnerships.
 58. The Final Local Government Settlement for 2018/19 for Cardiff was received in December 2017 equated 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.
 59. Consultation on the Council's 2018/19 budget proposals "Changes for Cardiff" ran from 2nd November 2017 – 14th 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.
 60. 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 identified a budget gap of £73 million for the period 2019/20 to 2021/22. 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.**
61. 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.

62. 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.
63. 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.
64. The Corporate Plan continues to be informed by the views of 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'
65. 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.
66. 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.

67. 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.
68. 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.
69. 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
70. 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.
71. 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.’

‘work on certification of grant claims and returns has not identified significant issues that would impact on the financial statements or key financial systems’.
72. 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.

73. 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.
74. 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.
75. 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.
76. 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 are in place for the Capital Ambition Delivery Programme, which include regular updates to the Senior Management Team.
77. 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
Corporate Director, People and Communities	Director of Communities, Housing and Customer Services
Director Planning, Transport and Environment (previously Director, City Operations)	Director, City Operations
Chief Digital Officer	Assistant Director, Children’s Services
Assistant Director, Corporate Landlord	Assistant Director, Commercial Services
Assistant Director, Street Scene	Enterprise Architecture Operational Manager
Head of Democratic Services	

78. 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 has led to offering this programme more widely across the officer body without the requirement to sit a formal ILM level 3 qualification.
79. 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.
80. 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.
81. 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 March 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.
82. 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.

83. 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 2 indicators. This saw the Council's ranking rise significantly within the local government family comparative performance to 5th as compared to 13th in 2016/17.
84. The Wales Audit Office published their Annual Improvement Report 2017/18 of the Council in September 2018. This 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.
85. The report did not raise any formal recommendations, but it made proposals for improvement relating to potential development, transparency, and the 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.

86. 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.
87. The revised Risk Management Strategy and Policy, which had been developed by the risk management network, with comments from the Cabinet, and considered by the Audit Committee in January 2018 was approved for operation from the second financial quarter of 2018/19.
88. 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.

89. 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.
90. 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.
91. 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.
92. 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.
93. 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 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.

94. 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'.
95. 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 25th 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.
96. 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.
97. The Council has a Health and Safety Forum, comprised of appointed Elected Members, Union Representatives and relevant Council Officers, which met quarterly during 2018/19 to review, provide feedback and approve a number of health and safety related policy and guidance documents.
98. The Forum, in line with their Terms of Reference, also monitored statutory maintenance compliance (focussing on high risk disciplines), Legionella Management, Fire Safety (the changes affecting the Council's Social Housing Development arising from the 'Building a Safer Future' report), the new health and safety support service to schools (introduced September 2018), and continued to review RIDDOR reportable accident/incidents.
99. 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.

100. 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.
101. 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.
102. 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).
103. 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.
104. 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.
105. The SMAS, and AGS Action plan of significant governance issues are reviewed biannually by SMT, Audit Committee and the Risk Management Team. The aim is to achieve openness and transparency in Council affairs and identification, communication and management of matters which require corporate attention.
106. 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.

107. 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.
108. 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.
109. 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.
110. The Council has an effective Internal Audit Service, as supported by performance information and reporting, which was externally assessed as conforming with 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.
111. 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

112. The following issues and actions were identified through the Senior Management Assurance process:

‘Informed, evidenced based decision making’ including aspects of Future Generations and further assurance work in relation to partnership and collaborative governance

Actions:

- Review the decision making processes to ensure that all aspects connected with legal and regulatory compliance are embedded into the processes to support the management of risk
- Further strengthen and develop compliance information provided through the Assurance SMT as part of the decision making process and identify where improvements are needed as appropriate

- Implement the Partnership and Collaborative Governance Framework to improve the assurance around the governance of these models of service delivery
- Embed a consistent understanding and application of the Future Generations principle and five ways of working in its endeavours to improve outcomes for its citizens

Compliance, specifically around understanding the gaps in the compliance (conformance) with the corporate process to provide a more focussed assessment

Actions:

- Review the compliance framework to ensure that all aspects are reflected in the 'Compliance Category' of the Senior Management Assurance Statement
- Implement the process of triangulation of Assurance Statements in line with the Council's Code of Corporate Governance and provide feedback through the Relationship Management Process to ensure that all aspects of compliance are representative

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

113. During 2018/19 the Wales Pension Partnership (WPP) obtained FCA approval for the Authorised Contractual Scheme (ACS) which enables the eight LGPS administering authorities in Wales to pool their investments in compliance with the requirements of the UK Government. The ACS is operated by Link Fund Solutions. Oversight by the eight authorities is through the Joint Governance Committee (JGC) comprising one elected member from each authority. The JGC is supported by an Officer Working Group (OWG) made up of the funds Treasurers and Investment Officers.
114. The first two sub funds within the ACS were launched in January 2019 with pooled assets of £4 billion. No assets were transferred from the Cardiff & Vale of Glamorgan Pension Fund during 2018/19 as the Global Equities asset class covered by the sub funds was outside the Pension Fund's current strategic asset allocation.
115. It is considered the following may have potential implications on future financial periods and are worthy of note in this statement.

Significant Issue	Year End Position 2018/19	Responsible Officer
<p>Wales Pension Partnership – Wales Investment Pool.</p> <p>Further pooled funds will be created during 2019/20.</p> <p>Proposals for each fund will be approved by the JGC prior to submission to the FCA.</p>	<p>The Cardiff and Vale of Glamorgan Pension Fund to continue to participate in the development of investment pooling arrangements through the Joint Governance Committee and the Officer Working Group.</p> <p>Developments are reported regularly to the Pensions Committee, the Investment Advisory Panel and the Local Pension Board</p>	<p>Corporate Director Resources</p>

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

DRAFT AUDIT COMMITTEE ANNUAL REPORT 2018/19**REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 8.2**

Reason for the Report

1. The Terms of Reference for the Audit Committee sets out its responsibility:
 - To report to Council on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
 - To report to Council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.
2. The draft Annual Report is provided for Audit Committee to consider the documented account of its activities, outcomes and performance for 2018/19.

Background

3. The Audit Committee prepares an Annual Report, in which it discloses the outcomes of a Self-Assessment of the effective delivery of its role, and it provides an account of its activities, findings and opinion in respect of its terms of reference. The Audit Committee Chairperson is due to present the Audit Committee Annual Report 2018/19 to Council in September 2019.
4. This Committee meets five times every year and receives a wide range of information to meet its responsibilities, as set out in the Committee's Terms of Reference. The Audit Committee Annual Report is prepared based on the evidence presented to the Committee throughout the year. It allows Committee Members the opportunity to provide their views on the key messages considered appropriate to report.
5. On 22 January 2019, the Audit Committee considered indicative observations and findings from its work to date following a desktop review of the Audit Committee agenda, programme of work and minutes. The Audit Committee agreed with the indicative findings and observations captured at this stage, to be developed within its Annual Report.
6. The Audit Committee held a self-assessment workshop prior to its meeting in January 2019, to review its performance against a best practice CIPFA framework, which followed the completion of individual Committee Member self-assessments against the CIPFA core knowledge and skills areas from the framework. The Audit Committee in its meeting of 2 April 2019 approved the assessment results and the Action Plan.

Issues

7. The Audit Committee Annual Report has been prepared following a review of meeting agendas and minutes for 2018/19. The report sets out the role of the Committee and its work programme and activities delivered within the year.
8. The report outlines the approach the Audit Committee has taken to discharge its role, through receiving standard agenda items for ongoing assurance in core areas of its role, relating to matters of corporate finance, risk, governance and audit. The Audit Committee has also allocated time in its work programme to invite senior officers to Committee meetings to seek and gain assurance on the control environment within a range of directorates, and invited responsible officers to attend Committee meetings and account for their management of certain corporate risks, matters of governance and internal control.
9. Contained within the annual report is the opinion of the Audit Committee which sets out that the Council does have, for the most part, sound financial controls and governance arrangements in place. In considering that opinion, Audit Committee will continue to receive regular reports during 2019/20 in respect of Budget Management, Internal Control, Financial Resilience and School Governance & Compliance. Further detail on the opinion of the Audit Committee can be found in Section 6 of the report.
10. Appended to the Annual Report are the Action Plan, resulting from the Audit Committee Self-Assessment in January 2019, Audit Committee assessment information, to include both self-assessment and client comments, following attendance and Committee meetings, and the profiles of Members who served on the Audit Committee in 2018/19.

Legal Implications

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

Financial Implications

12. The annual report of the Audit Committee sets out the work it has delivered during the year. There are no financial implications arising from the contents of this report.

Recommendation

13. To approve the Audit Committee's Annual Report for 2018/19 and delegate authority to the Audit Manager to make any minor amendments required.

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES

The following Appendix is attached:

Appendix A - Draft Audit Committee Annual Report 2018-19



Audit Committee Annual Report 2018/19

Cardiff Council



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

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1. Foreword by Ian Arundale (Chairperson of the Committee)

I am pleased to present this report, which provides an overview of the Audit Committee's work in the municipal year 2018/19. I have been well supported by the strong teamwork of the Committee this year. I wish to firstly record my thanks to my Deputy Chair Hugh Thomas who delivered the role of chairing the Audit Committee for the meeting that I could not attend this year.

I wish to record my thanks to all Elected Members and the Independent Lay Members who have served on the Committee this year. Members from across the political groups have come together in an effective way in our five meetings this year. It is also encouraging to report well-attended meetings, and indeed attendance at wider training and information events, given how busy Members are in fulfilling other roles and responsibilities.

Towards the end of the year, we saw changes to our Committee membership, as due to other commitments Councillor Jayne Cowan and Councillor Chris Lay stood down from the Audit Committee. At the municipal year-end, we then saw Councillor Mary McGarry and Councillor David Walker standing down. I must express my gratitude to our departing Members for their firm commitment and the value they brought to the Committee during their periods of membership.

We welcomed Councillor Susan Goddard and Councillor Joel Williams as new Audit Committee Members in our meeting of April 2 2019. We have already felt the benefits of their contributions, through active participation in meetings and their keen interest in our role. At the year-end, Council has approved that Councillor Ashley Lister will be joining our Audit Committee for 2019/20, who I would like to take the opportunity to welcome. At the time of writing, the Audit Committee has one vacant Conservative seat. To support any new Members of the Audit Committee, a programme of Induction training is attended prior to their first attendance at Audit Committee, and as a group, we have established a programme of training to ensure we continue to develop and effectively deliver our important role.

This year we have also seen changes in important officer positions. Firstly, from March 2019 Christopher Lee, an experienced Section 151 Officer and Director from Rhondda Cynon Taf, has taken up the role of Section 151 Officer and Corporate Director Resources. We welcome Chris to this role with confidence in his skills and ability, and send our appreciation and very best wishes to Christine Salter, who has left the Council after many years of consistent and valued Council service. We have also gained a new Internal Audit Manager from October 2018. Chris Pyke, an experienced audit and risk management practitioner, provides a full time resource to the Audit Team following a period of leadership and management by Ian Allwood the Head of Finance, who I thank for his time, support and commitment.

Throughout the year, Audit Committee has continued to receive highly valued professional support from Accountancy, External Audit (Wales Audit Office), Internal Audit, Risk Management and Treasury Management. Additionally, we have invited officers to attend Committee to respond to concerns raised by Members or identified through various Committee reports, such as those from internal and external audit.

The Audit Committee has undertaken a number of deep dive reviews of various corporate risks through which we have provided challenge, sought assurance and raised recommendations in areas where we considered it appropriate.

The Committee has continued to receive systematic reports from members of the Senior Management Team (SMT), on their directorate control environments, comprising governance, risk management and internal control / assurance arrangements. This approach has provided a good opportunity for us to engage with members of SMT individually, and to seek relevant assurances in these areas.

We have reviewed our work programme at each Committee meeting, taking account of changing risks and priorities through the reports and information we receive from Members, Officers, external stakeholders and other Committees of the Council. Our Work Programme has been busy this year with a wide range of matters brought before the Committee.

We acknowledge the importance of our broad role to a range of stakeholders, and have reflected on the effectiveness of governance, risk management and control in providing an overall assurance opinion and informing the Council's Annual Governance Statement 2018/19.

We have also taken the time to review our performance to give confidence to those relying on our work. In January 2019, we held a self-assessment workshop against the best practice CIPFA framework. We strengthened our self-assessment from prior years, by also completing an individual assessment against the core areas of the CIPFA knowledge and skills framework. This enabled us to identify strong overall collective skills, with an opportunity for further development in particular areas of a more technical nature. We have established arrangements to receive targeted training from lead Council Officers in these areas. All elements of our review and our action plan for improvement are appended to this report.

The Committee has taken forward networking and engagement initiatives this year. I have engaged in reciprocal Audit Committee visits with the Chairs of Leeds and Swansea Council Audit Committees, in order to share ideas, initiatives and best practices. These visits have proved valuable to understand different approaches and methods of effective Audit Committee delivery. As we enter 2019/20, we are working towards holding a Welsh Local Authority Audit Committee Chairperson Network in the autumn to further progress opportunities for shared learning and development.

To support wider awareness of our work, findings and outcomes, we published our first Audit Committee Newsletter in October 2018. The intention is to publish a newsletter twice a year to continue to communicate our work, and to support the Council's culture of accountability and assurance.

Looking forward to 2019/20, the financial challenges facing the Council and public services will continue through reduced funding and increasing demand for services and ever improving performance. Within this context, the importance of an effective Audit Committee remains critical.



2. The Role of the Audit Committee

The Audit Committee's role is to increase public confidence in the objectivity and fairness of financial and other reporting and provide independent assurance over governance, risk management and control processes.

The Local Government (Wales) Measure 2011 requires a Local Authority to have a Committee to:

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

The Measure also requires Councils to have Lay Members in their Audit Committees. The Council has determined that the membership of its Audit Committee would be twelve Members (eight Elected Members and four Independent Lay Members), which meets the requirement of the Measure and the proposals in the draft Local Government (Wales) Bill. The Terms of Reference of the Committee for 2018/19 was as follows:

Governance, Risk & Control

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

Internal Audit

- To approve the Internal Audit Charter.
- To approve the risk-based internal audit plan, containing internal audit's resource requirements, the approach to using other sources of assurances and any work required to place reliance upon those other sources.
- To approve significant changes to the risk-based internal audit plan, including audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the audit manager to determine if there are any inappropriate scope or resource limitations.
- To consider reports from the Audit Manager on Internal Audit's performance during the year. These will include:
 - Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
 - Regular reports on the results of the Quality Assurance and Improvement Programme;
 - Reports on instances where the internal audit function does not conform to the PSIAS and Local Government Application Note considering whether the non- conformance is significant enough that it must be included in the Annual Governance Statement.
- The opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control together with a summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the Audit Manager has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the Quality Assurance and Improvement Programme and in particular the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the Annual governance Statement, where required to do so by the Accounts and Audit Regulations.
- To support the development of effective communication with the audit manager.

External Audit

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

- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspector agencies or relevant bodies.

Financial Reporting

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

Accountability Arrangements

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

Training & Development

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

3. Our Work in 2018/19

The Audit Committee receives regular reports in relation to standard agenda themes and receives reports of interest based on risk, governance and internal control matters. Each aspect is reported on below.

Standard Items

3.1 Finance

The Corporate Director Resources (Section 151 Officer) has provided financial updates at every meeting to provide Committee Members with an overview of the financial standing of the Council during a period of ongoing unprecedented financial pressure. Members have also received training on financial management and accounting to support our focus on the controls and processes in place to support effective budget management.

The Audit Committee has noted the challenges facing the Council in respect to its budget strategy for both the year hence and the medium term.

The Committee has received and had the opportunity to comment on key finance reports in 2018/19, including:

- Draft Statement of Accounts 2017/18 and Audit Report
- Cardiff & Vale of Glamorgan Pension Fund Statement of Accounts 2017/18 and Audit Report
- Treasury Management reports and updates
- Financial Resilience updates and snapshots
- Draft Annual Governance Statement 2018/19.

As reported in 2017/18, the Audit Committee has continued to express concern about significant overspends and unrealised savings targets in the Social Services Directorate. The Director of Social Services attended Committee in January 2019 in order to provide an update on the challenges facing the directorate as well as providing a full overview of the assurance control environment.

The Committee was advised that the Directorate is taking action to manage its overreliance on agency workers, and implementing strategies to meet an increased demand for Children's Services through the most cost-effective means. Senior Managers have committed to providing a breakdown of Social Services overspends for the last three years and their reasons, to provide further detail for the Committee to consider.

3.2 Governance and Risk Management

The Audit Committee has formed a view on the Council's governance, risk management and internal control arrangements taking into account the information presented by the Corporate Director Resources (Section 151 Officer), the Wales Audit Office (WAO), the Audit Manager, Risk Management Team and other officers of the Council.

The Audit Committee plays a key role in contributing to and challenging the contents to be included in the Annual Governance Statement (AGS). The AGS is an important governance disclosure document and forms part of the Statement of Accounts.

The Audit Committee considered the AGS as part of the Statement of Accounts 2017/18 in June 2018 and September 2018. The Committee has had early involvement in the draft AGS 2018/19, in which the 'Opinion of the Audit Committee' (section 8) will be disclosed.

The Committee has received and had the opportunity to comment on the following governance and risk management disclosures:

Committee Meeting Date	Item Reviewed
June 2018	<ul style="list-style-type: none"> ▪ Corporate Risk Management (Q4 Update) 2017/18 ▪ Senior Management Statement Review Year End 2017/18
September 2018	<ul style="list-style-type: none"> ▪ Corporate Risk Management (Q1 Update) 2018/19
November 2018	<ul style="list-style-type: none"> ▪ Corporate Risk Management (Q2 Update) 2018/19
January 2019	<ul style="list-style-type: none"> ▪ Senior Management Assurance Statement Mid-Year Responses 2018/19 ▪ Mid-year AGS Action Plan of significant governance issues
April 2019	<ul style="list-style-type: none"> ▪ Corporate Risk Management (Q3 Update) 2018/19 ▪ Draft AGS 2018/19.

We considered the Draft Code of Corporate Governance (Code) prior to its approval and incorporation into the Council's Constitution in March 2019. Within the Code, the SMAS process is a core mechanism for senior management self-review and open disclosure. We welcome the ongoing development of the SMAS process in line with the Code to provide a wider level of independent challenge from various Council disciplines, and strengthen the assurance provided.

We have continued to review the Senior Management Assurance Statements (SMAS) from the Senior Management Team twice a year, and we have also probed members of SMT and sought further assurance through the reports we have received from them individually on their directorate control environments throughout the year.

We considered and informed the development of the Council's Risk Management Strategy and Policy, prior to Cabinet approval in July 2018. The Committee was very keen for Risk Management to be communicated to officers and stakeholders in a way that engaged participation. Subsequently, the Committee was pleased to receive a summary version of the Strategy and Policy that communicated the core principles in simple language.

We have invited a number of risk owners to attend Committee this year, through which we have completed deep dive reviews on various corporate risks, with a focus on the controls and planned management actions. Further information on our risk reviews is included in section 5 'one-off reviews'.

3.3 Treasury Management

The Audit Committee seeks assurance that the Council has complied with the Treasury Management Strategy and Practices, and has demonstrated effective risk and performance management.

Over the past twelve months, the Committee has received reports on the Treasury Management Annual Report, Mid-Year Report 2018/19, Treasury Management Strategy 2019/20 and the Treasury Performance and Practices Reports.

Through the treasury management reports and updates in each Committee meeting, Members have taken the opportunity to scrutinise and challenge the approach adopted and decisions taken. This is a complex area, through which the Committee has delivered its role through probing and scrutinising strategies, reports and data provided.

Upon request, the Committee received a briefing paper, which detailed the focus of the work and assurances provided by our Internal and External Audit Teams. We have also been advised that an external review is also being carried out by the Council's treasury management advisors, to consider areas of compliance, evidence, delivery and review in the form of a policy, procedures and processes health check. We await the outcomes of this work and the opportunity to consider the findings with lead officers.

To further support the Audit Committee in its role, in-house treasury management training is scheduled for delivery to Audit Committee Members in 2019/20.

3.4 External Audit (Wales Audit Office)

The Committee places reliance on the work of the Wales Audit Office (WAO) as the Council's external auditors. The Committee has received key documents throughout the year:

- Audit Progress Updates
- Audit of Financial Statements Report – Cardiff & Vale of Glamorgan Pension Fund 2017/18.
- Annual Audit Plan - Cardiff & Vale of Glamorgan Pension Fund 2018/19.
- Annual Audit Plan 2019/20

The Audit Committee has received regular updates from WAO, led by Ann-Marie Harkin (Engagement / Financial Audit Director), Phil Pugh (Financial Audit Manager) and Sara-Jane Byrne (Performance Audit Manager). In addition to Cardiff specific studies, Audit Committee Members receive a number of other national and regional study updates from WAO in each meeting, with the key findings and messages communicated.

The Committee welcomed the opportunity to comment on the 3-year programme of work of the Auditor General for Wales in December 2018. Comments were fed back to senior Council officers for inclusion in the corporate response. The Audit Committee Chairperson and Audit Manager receive notifications of relevant WAO publications, and consider and circulate reports, which are relevant to the Audit Committee's terms of reference to Members.

The Committee has considered some wider WAO reports in detail, such as a Carmarthenshire 'Audit Committee Effectiveness' report, which was used as a health check, for self-assurance and reflection

on our own performance. The health check provided general assurance on the effectiveness of the Audit Committee, and reinforced the benefits of the networking, communication and targeted Committee training we have been progressing this year.

3.5 Internal Audit

The Committee continues to place reliance on the work of the Council's in-house Internal Audit Team, and welcomes this increase in direct management capacity, following a period of effective strategic and operational leadership by the Head of Finance.

The Audit Manager provides a functional reporting role to the Audit Committee and an administrative reporting role to the Head of Finance (Deputy Section 151 Officer). The Committee has been assured that throughout the year that there have been no impairments to Internal Audit independence or objectivity in accordance with the Public Sector Internal Audit Standards (PSIAS).

The Audit Committee approved the Annual Internal Audit Charter in both March 2018 and April 2019, and approved incremental in-year changes to formalise the allocation of responsibility and reporting arrangements for the new Audit Manager following appointment in October 2018.

The Committee approved the 2018/19 Internal Audit Plan in March 2018, monitored its progress and received an account of any risk-based revisions to planned audits throughout the year. The Committee also considered and approved the 2019/20 Audit Plan in April 2019.

The Committee received the following key documents during the year:

- Internal Audit and Investigation Team Quarterly Progress Reports
- Internal Audit Recommendation Tracker
- Internal Audit and Investigation Team Annual Reports
- Changes to key documents / policies.

The Audit Plan 2018/19 included four audits of a thematic nature to gain assurance in each directorate across the Council. The themed audits were Partnership and Collaborative Governance, Budgeting and Forecasting, Effective Decision Making, and ICT Governance. These audits were substantially completed in the year, and an additional suite of audits targeting value for money assurance, will conclude and report in 2019/20.

An overview of all issued audit reports has been provided to the Audit Committee, with emphasis given to recommendations allocated a priority rating of Red or Red / Amber. The Audit Committee receives and monitors all audit recommendations and the associated management response and updates to the point of implementation.

The number of audit recommendations implemented within agreed timescales requires improvement, with performance at 67% against a target of 90%. It is essential that audit clients prioritise delivering audit recommendations within the timescales they agree to. The Audit Team will be focussing on performance in this area next year and we will keep close attention through the reports we receive and the senior officers that we engage with.

Internal Audit is subject to an external review every five years in order to report conformance with the mandatory Public Sector Internal Audit Standards (PSIAS). The Audit Manager of Rhondda Cynon

Taf Council carried out this review during 2017/18, and provided assurance that the Internal Audit function conformed to the standards. As part of the Internal Audit Quality Assurance and Improvement Programme in accordance with the PSIAS, the Audit Committee received ongoing internal assurance through performance reports in each Committee meeting this year, from the Audit Manager that the Internal Audit Service is operating in conformance with the PSIAS.

The Committee will receive a full year overview of audit work completed, and key messages, when the Internal Audit Annual Report is presented to the June 2019 meeting of the Audit Committee. This report will provide the Audit Manager's opinion on the Council's overall position in relation to risk, governance and internal control and an annual review and assurance statement on conformance with the PSIAS.

One-off Items

The Audit Committee has routinely engaged with the Chief Executive and Directors through its programme of work this year for assurance on the control environment for their respective areas of oversight. The Committee has undertaken deep dive reviews of certain corporate risks for which greater assurance has been sought from risk owners. The Committee has required a greater frequency of assurance in respect of governance and controls within Schools and in the Waste Management function, in line with lower levels of audit and management assurance in these particular areas.

3.6 Control Environment Reviews

The Chief Executive attended Audit Committee meetings in June 2018 and April 2019, to provide an outline and assurance on the Council's overall governance, risk management and internal control. The Committee has continued to recognise the challenging financial environment facing the authority, and he has emphasised the importance of the role of the Section 151 Officer, and the SMT in making the interventions necessary to effectively manage Council finances. The Chief Executive has provided the Committee assurance over the frameworks for measuring and managing governance and risk in the Council. In the meeting of April 2019, we has a particular focus on Brexit risk management, for which the Chief Executive provided detailed information and assurances.

Six Directors attended Audit Committee in 2018/19 to provide an overview of their directorate control environments. The remaining Director of Economic Development is scheduled to attend an Audit Committee Meeting in June 2019. The range of assurances and matters for attention across the discussions of governance, risk management and control varied across the various Directorates.

The prominent matters discussed and actions agreed were as follows:

Directorate Control Environment Reviews 2018/19

Planning Transport and Environment

Air quality management to reduce air pollution and the impact on health, and coastal flood risk management are the biggest risks being managed by the Directorate.

Committee held a deep dive review of coastal flood risk management, for which the details are summarised in section 3.7 of this report.

Management and Internal Audit have kept Committee informed of gaps in areas of Waste Management compliance and control, for which further information is included in section 3.9.

Housing and Communities

Welfare Reform and Fire Safety have been identified as the greatest challenges for the Corporate Director, and Committee has been assured that significant attention is given to these areas.

Members have discussed that it is not feasible to target a further reduction in the Welfare Reform corporate in light of external factors. Committee has been advised that a key challenge is the need to meet the increased demand for services from an increasing population with less resource.

The Directorate has made strong progress in delivering audit recommendations, and all recent audit reports provided an effective level of assurance.

Education and Lifelong Learning

Committee has discussed Band B 21st Century School information, and the work underway to manage school building compliance, having received the building maintenance corporate risk quarterly updates throughout the year for monitoring and review.

We have welcomed an update of improvements in school performance and the number categorised as 'Green'. We have received assurance from the Director that School support and intervention are put in place where required to improve financial management and governance.

Further information on our assurance on school governance is included in sections 3.8 and 6.4 of this report.

Governance and Legal Services

The Director has highlighted that there is an ongoing need to retain knowledge and skills to deliver compliant services, and to effectively respond to challenges.

We have been advised that safeguarding continues to be a significant corporate risk, and the Director has highlighted that the complexity of safeguarding cases being dealt with by Legal Services is growing.

A key priority for Democratic Services is to respond to the Wales Audit Office (WAO) Report 'Overview and Scrutiny – fit for the future?' and that an action plan is in place to address five Proposals for Improvement

Resources

We have discussed particular corporate risks in addition to receiving our ongoing Section 151 Officer assurances as outlined in section 3.1. We have discussed business continuity arrangements, performance management and record retention, and received information on the current mitigations and future work and developments.

Members were advised of business continuity scenario testing activities and exercises, and the arrangements to support and develop managers in performance management.

Social Services

Committee has been advised that managing the Safeguarding corporate risk is a key priority for the Directorate. As reported in section 3.1 of this report, an ongoing challenge for the Directorate is the need to effectively manage demand in Children's Services, being mindful of the financial pressure of increases in number of looked after children.

We have been advised that strategies are being implemented to meet the increased demand of Children's services and to manage budget overspends.

We have been advised that the Director was prudent in scoring down her first SMAS assessment at the mid-year position in 2018/19 for which she is working to evidence and achieve the assurances required to report an improved year-end position.

3.7 Risk Management Deep Dive Reviews

The Audit Committee has reviewed the Corporate Risk Register on a quarterly basis throughout 2018/19, and undertaken three deep dive corporate risk reviews, for which further information is summarised below.

Cyber security

Audit Committee invited the Chief Digital Officer to provide an overview of the corporate risk on cyber security. This particular risk was escalated to the Corporate Risk Register (CRR) in quarter 4 2016/17, following requests for heightened monitoring and assurance from the Audit Committee.

The Committee has been advised that cyber security is monitored through a maturity assessment against 10 primary risk factors, in application of the recommended approach by the National Cyber Security Centre (NCSC). Committee was advised that the position is strong overall, whilst the greatest attention is required in the areas of Unsecure Configuration (Unauthorised access & changes, exploitation of software bugs & insecure system configuration), Monitoring (Assessment of how & when systems are being used; detecting & reacting to attacks or accidental user activity) and Corporate Cloud Security (management of externally hosted services).

Towards the end of the year, Internal Audit work concluded on ICT Governance and Cloud Computing, which has provided broadly effective assurance. The Audit Committee will monitor the progress of the Internal Audit recommendations raised, and will continue to monitor the cyber security corporate risk each quarter.

Coastal flood risk management

Audit Committee has explored the coastal Erosion Risk Management Programme to mitigate the flood risk from the coastline along Rover Way, as currently defended through a combination of materials and techniques and included on the corporate risk register as an individual risk since quarter 3 2017/18.

Committee was advised of the flood risk mitigations planned, and that the full business case is expected to be completed within a year, with construction completed by 2024. The Committee was assured that a flood event prior to completion of the defences is not anticipated, but that in such an event a multi-agency response could be invoked.

The Audit Committee was assured with the planned mitigations, whilst raising the following recommendations, for which progress will be monitored through management updates.

- 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.

Brexit

As the uncertainty around Brexit increased as the year progressed, we worked alongside PRAP in our review of the planning and preparation for Brexit, to seek to deliver our distinct roles in co-ordination.

In reviewing risk management arrangements, we communicated with the Leader and the Chief Executive from whom we received written information on the management of Brexit risks.

We utilised the Chief Auditor Networks in Wales and in UK Core Cities, to identify the approaches and actions being taken by other Audit Committees. A number of Scrutiny and Audit Committee Members also attended an Academy Wales Brexit Event, through which we received best practice risk management and scrutiny guidance.

Given the importance of this work, we brought forward our annual invite to the Chief Executive to early April, where we discussed the detail around Brexit risk management. We appreciate the time taken by the Chief Executive in early April to attend our Committee to provide an outline of the various processes and systems underway to manage Brexit related risks. We have recognised the importance of strong communication, and welcomed continued information to those involved in delivery and oversight on this complicated and important area.

Brexit was escalated to the Corporate Risk Register in quarter 3 2018/19, through which we will receive ongoing visibility and assurance over Brexit risk management, through the quarterly risk management reports we receive.

3.8 Education and Lifelong Learning Assurance

The Director of Education attended Audit Committee in September 2018 to report on School Governance and Financial Deficits. It was reported that 9 schools, (4 Primary and 5 Secondary Schools) carried forward deficit balances into the financial year 2018/19, which is an improvement on the previous year when there were 13 schools; 6 Primary, 6 Secondary and 1 Special School with deficit balances. Each school with a deficit budget has a medium term financial plan showing how it will reduce its deficit to a balanced position. There is an assigned monitoring officer for each school with a deficit, working closely with the school and governing body to monitor the delivery of the medium term plan. This matter continues to be monitored through the corporate risk register mechanism.

Committee was advised that there were 59 schools with a balance in excess of the Welsh Government recommended level (£50,000 for Primary Schools and £100,000 for a Secondary or Special School) and 4% of the school's annual delegated budget (a threshold agreed after consultation with schools). The Committee will continue to monitor the control of surplus balances in order to be satisfied that value for money principles are being upheld.

School governance has continued to be highlighted as an area for improvement, with two primary schools receiving an unsatisfactory Internal Audit opinion in 2018/19 (Pontprennau Primary and St. Peters RC Primary). In view of an ongoing need for regular assurance in this area, Audit Committee has arranged to receive an update from the Director of Education and Lifelong Learning twice a year on the monitoring, controls and progress of governance improvements in Schools for which an assurance gap has been identified. This is with the understanding that Audit Committee can request the attendance of those directly responsible for School Governance at a Committee meeting in the event that assurances are not considered as acceptable.

3.9 Waste Management Assurance

There have been some well-publicised concerns about the robustness of controls in relation to the Waste Management function. There have been a series of investigations into allegations of fraud, and once matters have concluded within the Waste Management Service, Audit Committee will consider the terms of reference for Post Investigation Reviews to ensure lessons are learned.

In the meantime, the Audit Committee has increased the frequency of its meeting invites to Senior Officers in Waste Management, as there is a greater need for information and assurance. The Audit Manager has also responded with an increased level of Internal Audits taking place throughout 2018/19, which have focussed on the effective operation of key systems, processes and practices to safeguard assets and deliver compliant operations.

Committee has recognised that there is a lot of work to do, as two internal audits have recently provided an unsatisfactory audit opinion and others have recognised a need for major improvement, but Senior Management have engaged well with the Committee and with our Internal Audit Team. They have been open with the Internal Audit Team on the areas where they have the greatest need for assurance, advice and support, and the Committee will keep a continued close eye on the delivery of improvements required.

4. Audit Committee Self-Assessment

In January 2019, the Audit Committee held a self-assessment workshop, to review its performance against a best practice CIPFA framework. The assessment process was strengthened this year to include an Individual Assessment against the CIPFA core knowledge and skills areas from the framework. This additional process was identified as an action in last year's self-assessment, and was completed in advance of the collective workshop, to enable the results to be reflected upon when considering the overall assessment. The individual assessment was completed by the ten Audit Committee Members who had served on Committee for the year, and had not indicated they were standing down in January 2019.

The Committee also introduced a further process to obtain feedback from those attending Audit Committee meetings on the performance and the value they gained from their attendance.

The components of the overall self-review were as follows for which the outputs are included in **Annex**

3.

- a. Individual Assessment
- b. Collective workshop Results
- c. Feedback from those attending audit committee
- d. Action plan.

At a collective level, the self-assessments have reported strong performance overall. The Audit Committee has identified it could do more to drive awareness and engagement with the annual governance statement, to enhance value for money assurance through lines of inquiry, and to develop its contribution to partnership and counter-fraud assurance. Each of these areas are being targeted through further Chairperson networking to share best practices, communication to promote

awareness and contribution to good governance, and through Audit Committee interactions with senior officers.

The individual assessments have identified a strong balance of skills overall, but have identified four technical areas where further training is merited, namely Financial Management and Accounting, Internal Audit, Counter Fraud and Treasury Management. To support the Audit Committee to develop in these areas, an in-house training programme is being rolled out, which commenced in April 2019 and is focussing on core knowledge and effective application.

In January 2019, the Committee considered that it did not have the visibility it required of its value to the organisation. To provide information in this respect, the Committee introduced a feedback process in April 2019, to obtain the comments and perceptions of those attending Committee meetings. The results to date have shown good or excellent performance overall, that some areas where influence and assurance could be improved, and that there is scope to improve aspects of discussion and engagement. The feedback is in line with the Committee's self-assessment, and reinforces the need to focus on our terms of reference at all times as we engage in each Committee item.

As set out in the action plan for the self-assessment, the Committee is committed to its own development both as individual members and as a collective, for which progress will be reviewed during 2019/20.

5. Key Observations 2018/19

The Audit Committee Work Programme has been developed and discharged with the support of the Wales Audit Office, Internal Audit and other Council Officers, to deliver the Audit Committee terms of reference with a focus on the significant risks and challenges facing the Council.

The Committee has achieved an overview of the Council's priorities, risks and controls through the many items received through its Work Programme. The Committee has focussed on achieving assurance on the consistent approach across directorates to respond to the challenges of maintaining controls, displaying good governance and managing risks. Through engagement with senior officers, and receiving a range of management and independent assurances the Committee has gained a good understanding of the services provided and the challenges faced. We have responded proportionately with assurance and challenge, as appropriate, and documented within section 3 of this report, 'Our Work'.

In addition, the Committee has had the opportunity to challenge and discuss actions taken in response to both External and Internal Audit Reports, and we have undertaken focussed reviews of particular significant Council risks, through inviting senior risk owners to Committee meetings to provide detailed information and assurance. Through this information and engagement we have identified the assurance and coverage required to deliver our role, from which our Annual Opinion for 2018/19 and particular interests for ongoing focus as we move into 2019/20 are documented in the following section (6. Opinion of the Audit Committee 2018/19).

6. Opinion of the Audit Committee for 2018/19

Based on the evidence presented to the Audit Committee during 2018/19, it is the considered view of the Committee that the Council does have, for the most part, sound internal controls and governance arrangements in place. Strategic risks representing the true challenges facing the Council are well captured and reviewed on a regular basis. Examples of where the Committee continues to have concerns, which will be incorporated into the Committee's Work Programme for 2019/20, include:

6.1 Budget Management

The Audit Committee recognises the sustained financial pressure that the Council is under and notes that whilst the overall financial position was projected to be balanced, some particular directorates had projected significant overspends, for which controls have been in need of improvement.

The Audit Committee continues to raise concerns about the controls in place within directorates to achieve budget savings proposals put forward, which is increasingly important as the financial parameters within which the Council operate become further constrained. The Committee will be interested in the level of savings achieved in 2019/20 and will reinforce expectations for delivery given the significant financial pressures facing the Council.

6.2 Internal Control

The continuing reduction in resources, together with a growing population and greater demand for public services, mean that the Council is facing significant challenges in how it delivers services. At a time when many decisions have to be finance driven, it is essential that internal controls are not neglected or impaired, and that strong controls operate throughout reformed processes and systems.

The Audit Committee has invited senior officers to attend each Committee meeting this year, to account for their delivery of good governance, risk management and internal control. In addition, the Audit Committee has continued to receive the details of all Internal Audits completed, and the respective assurance ratings. We have observed isolated internal control gaps in areas of Waste Management, and within certain Schools and School Traded services. Whilst the number of unsatisfactory Internal Audit opinions remain low, management must maintain sound systems of internal control and promptly address identified weaknesses. The Audit Committee is aware of the allegations of fraud within the Waste Management Service, which have been investigated within the Council and referred to the Police. Once associated disciplinary procedures have concluded, Audit Committee will seek assurance on the robustness of post investigation review.

The Committee receives a list of all Internal Audit recommendations raised and agreed, and visibility of updated management comments until the point of implementation. Whilst the Audit Committee has an overall assurance of internal control, we continue to require officers to account for services or functions where internal control weaknesses have been identified. We continue to challenge any impairment in stewardship and control of public funds and assets, seeking prompt and proportionate management actions. The Audit Committee has approved the 2019/20 Internal Audit Plan and will closely monitor its progress and findings over the year.

6.3 Financial Resilience (including Treasury Management)

In a position of austerity, the Audit Committee is focussed on ensuring that financial decisions are made for the benefit the organisation over the medium and long term, in addition to meeting current service needs. The Audit Committee has received updates on financial resilience as part of the finance updates and has welcomed the assurance to be gained from an ongoing external review of the Council Treasury Management activities, by the Council's Treasury Management advisors. The outputs of this review will inform our focus in 2019/20.

The Audit Committee will continue to look to gain assurance of sound treasury management practices and strategy. This is vital work, which will both safeguard and deliver best value from the Council's borrowing and investments. The Audit Committee has and will continue to satisfy itself that the levels and profiles of investments and borrowing throughout the year are appropriate and in line with the Treasury Management Practices, Strategy and Reports presented.

6.4 Schools Governance & Compliance

Audit Committee has raised concerns about governance and compliance matters in schools for some time, which are regularly responsible for a greater proportion of audit reports giving concern. This year, whilst we have received comfort from the assurances given through school governance themed audit work, certain schools have not achieved a satisfactory level of stewardship and internal control.

In view of an ongoing need for regular school governance assurance, Audit Committee has arranged to receive an update from the Director of Education and Lifelong Learning twice a year on the monitoring, controls and progress of governance improvements in Schools for which an assurance gap has been identified. This is with the understanding that Audit Committee can request the attendance of those directly responsible for governance at an individual school level, to a Committee meeting, in the event that assurances are not considered as acceptable.

The Committee acknowledges that the Council is not able to set rules for schools to adhere to regarding contracting matters, albeit advice can be offered on good practice. This area of interest remains a priority of the Audit Committee. The Audit Committee continues to support the production and use of best practice guidance in schools to strengthen financial stewardship and control.

7. Looking ahead to 2019/20

During the forthcoming municipal year, the Committee will continue to be guided by the Corporate Director Resources, the Audit Manager and the Internal and External Audit teams.

The Audit Committee's programme of work will continue to be aligned to delivering its terms of reference effectively. This will include monitoring the management of the existing matters highlighted in the 'Opinion of the Audit Committee 2018/19' as well any new issues, which require our attention.

The Committee's Work Programme will continue to ensure that its contribution to governance, risk management and control are maximised.

8. Audit Committee Membership 2018/19

The Committee consists of four Independent Lay Members and eight Non Executive Councillors, elected by Council (detailed in Annex 3). Independent members are appointed for no more than two administrative terms with Council Members reappointed annually.

The Committee is serviced by Council Officers, principally the Corporate Director Resources (Section 151 Officer), and the Audit Manager. Representatives from the WAO also attend Audit Committee meetings.

The Audit Committee met on 5 occasions throughout the municipal period 2018/19 on the following dates: 26 June 2018; 18 September 2018; 13 November 2018; 22 January 2019 and 2 April 2019.

9. Attendance in 2018/19

Attendance 2018/19	Possible	Actual
Independent Lay Members		
Ian Arundale (Chairperson)	5	4
Hugh Thomas (Deputy Chairperson)	5	4
David Price	5	4
Gavin McArthur	5	4
Non-Executive Councillors		
Councillor Phil Bale	5	5
Councillor Jayne Cowan (stood down on 22.01.19)	4	4
Councillor Stephen Cunnah	5	4
Councillor Susan Goddard (appointed 28.02.19)	1	1
Councillor Nigel Howells	5	4
Councillor Chris Lay (stood down on 15.01.19)	3	1
Councillor Mary McGarry	5	5
Councillor Kanaya Singh	5	4
Councillor David Walker	5	5
Councillor Joel Williams (appointed 28.02.19)	1	1

All Committee Members received induction training prior to attending Audit Committee.

10. Audit Committee Contacts

Ian Arundale Chairperson of Audit Committee	<i>Please contact via the Audit Manager</i>
Christopher Lee Corporate Director Resources	029 2087 2300 Christopher.lee@cardiff.gov.uk
Chris Pyke Audit Manager	029 2087 3455 cpyke@cardiff.gov.uk
Ann-Marie Harkin Engagement / Financial Audit Director, Wales Audit Office	029 2032 0562 info@wao.gov.uk
Phil Pugh Financial Audit Manager, Wales Audit Office	029 2032 0645 Phil.Pugh@audit.wales
Sara-Jane Byrne Performance Audit Manager, Wales Audit Office	029 2032 4085 sara-jane.byrne@audit.wales

Audit Committee Self-Assessment Action Plan

January 2019

Action	Status
1. All Audit Committee Members to ensure they have completed an Individual Assessment (against the CIPFA knowledge and skills framework)	Ongoing Activity <i>To be arranged for newer Members</i>
2. On a periodic basis, Audit Committee to receive briefings, training and questioning guidance on: <ul style="list-style-type: none"> • Treasury Management • Internal Audit • Financial Management and Accounting • Counter Fraud 	Ongoing Activity <i>Commenced April 2019</i>
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.	Ongoing Activity <i>Commenced April 2019</i>
5. Audit Committee to request feedback from those invited to attend Committee meetings, on the performance and value of the meeting.	Ongoing Activity <i>Commenced April 2019</i>
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"> • Communicate the work, findings and outcomes of the Audit Committee through biannual newsletters, and to use any webcasting resource available for Committee meetings • 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>(Completed in February 2019)</i> 	Ongoing Activity

Audit Committee Assessments

I. Collective Workshop – Self-Assessment

A) Self-Assessment of ‘Effectiveness’

Assessment key	
5	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.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	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.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.

Areas the Audit Committee can add value by supporting improvement		Overall Assessment
1.	Promoting the principles of good governance and their application to decision making.	3
2.	Contributing to the development of an effective control environment.	5
3.	Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	4
4.	Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	5
5.	Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	4
6.	Aiding the achievement of the authority’s goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	4
7.	Supporting the development of robust arrangements for ensuring value for money.	3
8.	Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	3
9.	Promoting effective public reporting to the authority’s stakeholders and local community and measures to improve transparency and accountability.	3

B) Self-assessment of 'Good Practice'

Good practice questions		Yes	Partly	No
Audit committee purpose and governance				
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"/>
Functions of the committee				
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
Membership and support				
12	Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • consideration has been given to the inclusion of at least one independent member (where it is not a mandatory requirement) 	<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"/>
Effectiveness of the committee				
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"/>
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"/>

II. Individual Audit Committee Member Self-Assessments

Knowledge

Knowledge Areas	Level of Knowledge					Strong +
	No	Limited	Mixed	Strong	Full/Complete	
1. Organisational knowledge	0%	0%	10%	80%	10%	90%
2. Audit committee role and functions	0%	0%	0%	70%	30%	100%
3. Governance	0%	0%	30%	60%	10%	70%
4. Internal audit	0%	0%	40%	50%	10%	60%
5. Financial management and accounting	0%	0%	40%	40%	20%	60%
6. External audit	0%	0%	10%	80%	10%	90%
7. Risk management	0%	0%	20%	70%	10%	80%
8. Counter fraud	0%	10%	40%	50%	0%	50%
9. Values of good governance	0%	0%	10%	70%	20%	90%
10. Treasury management	0%	0%	50%	40%	10%	50%

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Application

Application	Level of Application					Strong +
	No	Limited	Mixed	Strong	Full/Complete	
1. Organisational knowledge	0%	0%	30%	70%	0%	70%
2. Audit committee role and functions	0%	0%	30%	50%	20%	70%
3. Governance	0%	10%	10%	70%	10%	80%
4. Internal audit	0%	10%	50%	30%	10%	40%
5. Financial management and accounting	0%	0%	50%	30%	20%	50%
6. External audit	0%	0%	40%	50%	10%	60%
7. Risk management	0%	0%	50%	40%	10%	60%
8. Counter fraud	0%	10%	60%	30%	0%	30%
9. Values of good governance	0%	0%	10%	90%	0%	90%
10. Treasury management	0%	10%	60%	30%	0%	30%

III. Audit Committee Attendee Feedback

In April 2019, Audit Committee introduced a feedback form to measure its 'performance', 'assurance and influence' and 'discussion and engagement'.

This follows our self-assessment in January, where we felt we could do more to measure our value and performance. We have received our first feedback from those who attended our Audit Committee as follows.

Areas of focus

We will reflect in particular on our

- discussion and engagement, and
- assurance and influence in particular for the financial monitoring and management

Key	Score
1	Poor
2	Satisfactory
3	Good
4	Excellent

Performance






Assurance and Influence (value)



Discussion and Engagement



Current Membership

 <p>Ian Arundale (Chair) (Independent Lay Member)</p>	<p>Ian Arundale is a self-employed Law Enforcement and Security Consultant. He was a police officer for 32 years serving in South Wales, West Mercia and Dyfed-Powys Police Forces rising to the rank of Chief Constable.</p> <p>Ian was the UK lead on behalf of the Association of Chief Police Officers (ACPO) for ‘Armed Policing’ policy and practice and chaired the UK ‘Conflict Management’ portfolio.</p> <p>He works internationally and has recently assisted police forces and organisations in the USA and New Zealand.</p> <p>Ian holds a diploma in Applied Criminology from Cambridge University, an MSc (Econ) degree in Criminology and Criminal Justice from Cardiff University and a BA (Hons) degree in Police Studies. He is a Fulbright Fellow and a graduate of the Prime Ministers ‘Top Management’ programme.</p> <p>In addition to his role with work with Cardiff Council, he is also a member of the Discipline Committee of the Royal College of Veterinary Surgeons and a board member of the International Law Enforcement Forum (ILEF). He was awarded the Queens Police Medal (QPM) in 2011.</p>
 <p>Hugh Thomas (Deputy Chair) (Independent Lay Member)</p>	<p>Hugh Thomas, a retired Solicitor, pursued a Local Government career for forty years culminating in his being Chief Executive of Mid Glamorgan County Council (the largest local authority in Wales) for fifteen years. During this time, he served as Clerk to the South Wales Police Authority and Honorary Secretary of the Assembly of Welsh Counties. He retired in 1995.</p> <p>He has since chaired a number of public bodies and national voluntary organisations including those in the health and higher education sectors. He was Vice Chairman and Chair of the Audit Committee of the Wales Centre for Health.</p> <p>He was also a non-Executive Director of Welsh Water. He served as Chairman of The Regulatory Board for Wales 2010 – 2016.</p> <p>Currently, he is serving a second term as one of the fifteen Trustees of The National Library of Wales.</p>
 <p>David Price (Independent Lay Member)</p>	<p>David Price is a self-employed Higher Education Consultant who provides bespoke services for UK, EU and North African clients. He formerly spent 25 years working for a number of UK universities and non-governmental departmental bodies in strategic planning and policy roles and served as a Pro Vice-Chancellor for a prominent Welsh university.</p> <p>Educated at the universities of Sheffield and Newcastle-Upon-Tyne and at schools in the UK and abroad, David is a graduate of the Leadership Foundation for Higher Education’s Top Management Programme.</p> <p>David’s professional interests focus on the development and application of performance systems, business intelligence, risk management, regulation and governance.</p>



Gavin McArthur
(Independent Lay Member)

Gavin McArthur is an experienced internal audit and governance professional and qualified accountant. He is currently a senior audit manager for the Halfords Group. Prior to this, he was Head of Governance and Assurance for the Ministry of Justice Estates Directorate. He has also held senior management roles in internal audit functions in local and central government.

His professional experience and expertise lie in the fields of internal control, risk management, governance, internal audit, business case review, and performance management. He is also an independent member on the West Mercia Police and Warwickshire Police Joint Audit Committee.

Following a degree in Geological Sciences from Birmingham University, Gavin qualified as a CIPFA accountant with Coventry City Council where he undertook a range of financial management and accounting roles, including audit.

A keen sportsman, who played semi-professional football, Gavin has coaching qualifications in rugby, goalkeeping and strength and conditioning. He currently coaches at a local rugby club and for a university football team, and is an experienced Tai chi practitioner.



Cllr Phil Bale
(Labour)

Serving the **Llanishen** Ward

Terms of Office: 03/05/2012 - 04/05/2017
04/05/2017 -

Serving on the following Committees:

[Audit Committee](#)
[Council](#)



Cllr Stephen Cunnah
(Labour)

Serving the **Canton** Ward

Terms of Office: 04/05/2017 -

Serving on the following Committees:

[Audit Committee](#)
[Children and Young People Scrutiny Committee](#)
[Council](#)
[Glamorgan Archives Joint Committee](#) Cardiff Council
[Standards & Ethics Committee](#)

Outside Bodies:

[Chapter \(Cardiff\) Limited](#)



Cllr Susan Goddard
(Labour)

*(appointed to
Audit Committee on 28.02.19)*

Serving the **Ely** Ward

Terms of Office: 03/05/2012 - 04/05/2017
04/05/2017 -

Serving on the following Committees:

[Appointment Committee - Programme Director, Schools Organisational Planning](#)

[Audit Committee](#)

[Community & Adult Services Scrutiny Committee](#)

[Constitution Committee](#)

[Council](#)

[Council Appeals Committee](#)

[Democratic Services Committee](#)

[Licensing Committee](#)

[Licensing Sub Committee](#)

[Public Protection Committee](#)

[Public Protection Sub Committee](#)

Outside Bodies:

[Cardiff Fostering Panel](#)



Cllr Nigel Howells
(Liberal Democrats)

Serving the **Adamsdown** Ward

Terms of Office: 03/05/2012 - 04/05/2017
04/05/2017 -

Serving on the following Committees:

[Audit Committee](#)

[Council](#)

[Council Appeals Committee](#)

[Economy & Culture Scrutiny Committee](#) (Chair)

[Pensions Committee](#)



Cllr Kanaya Singh
(Labour)

Serving the **Riverside** Ward

Terms of Office: 04/05/2017 -

Serving on the following Committees:

[Audit Committee](#)

[Children and Young People Scrutiny Committee](#)

[Council](#)

Outside Bodies:

[Cardiff Bus](#)



Cllr Joel Williams
(Conservative)

*(appointed to
Audit Committee on 28.02.19)*

Serving the **Pontprennau & Old St Mellons** Ward

Terms of Office: 04/05/2017 -

Serving on the following Committees:

- [Appointment Committee - Assistant Director, Adult Services](#)
- [Appointment Committee - Assistant Director, Children's Services](#)
- [Appointment Committee - Assistant Director, Education & Lifelong Learning](#)
- [Appointment Committee - Principal Lawyer Litigation](#)
- [Appointment Committee - Programme Director, Schools Organisational Planning](#)
- [Audit Committee](#)
- [Council](#)
- [Council Appeals Committee](#)
- [Standards & Ethics Committee](#)

Outside Bodies:

- [Cardiff University Court](#)
- [South Wales Fire & Rescue Authority](#)

Members who left In-Year



Cllr Jayne Cowan
(Conservative)

(stood down on 22.01.19)

Serving the **Rhiwbina** Ward

Terms of Office: 03/05/2012 - 04/05/2017
04/05/2017 -

Serving on the following Committees:

- [Council](#)
- [Glamorgan Archives Joint Committee](#) Cardiff Council

Outside Bodies:

- [South Wales Police and Crime Panel](#)



Cllr Chris Lay
(Labour)

(stood down on 15.01.19)

Serving the **Trowbridge** Ward

Terms of Office: 04/05/2017 -



Serving on the following Committees:

- [Council](#)
- [Council Appeals Committee](#)
- [Democratic Services Committee](#)
- [Pensions Committee](#) (Deputy Chair)
- [Planning Committee](#) (Deputy Chair)

Outside Bodies:

- [Cardiff Bus](#)
- [Cymric Building Preservation Trust](#)
- [Flat Holm Consultative Group](#)

Members standing down at the year-end

 <p>Cllr Mary McGarry (Labour)</p>	<p>Serving the Plasnewydd Ward</p> <p>Terms of Office: 03/05/2012 - 04/05/2017 04/05/2017 -</p> <p>Serving on the following Committees: Community & Adult Services Scrutiny Committee Council</p> <p>Outside Bodies: Standing Advisory Council for Religious Education (SACRE)</p>
 <p>Cllr David Walker (Conservative)</p>	<p>Serving the Lisvane Ward</p> <p>Terms of Office: 03/05/2012 - 04/05/2017 04/05/2017 -</p> <p>Serving on the following Committees: Appointment Committee - Head of Performance & Partnerships Council Employment Conditions Committee Policy Review and Performance Scrutiny Committee (Chair)</p>

AUDIT COMMITTEE: 25 JUNE 2019

CORPORATE RISK MANAGEMENT - QUARTER 4 2018/19**REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: 8.3**

Reason for this Report

1. To update Audit Committee on the risk management position at quarter 4 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 2 April 2019, at which time the risk management position at quarter 3 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 4 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 4 risk management review. The Risk Management Team has also provided advice and guidance on the measurement and reporting of risks. The quarter 4 risk assessments are presented

on the Corporate Risk Map (Appendix A), the CRR Summary (Appendix B) and the Detailed CRR (Appendix C).

- The Risk Management Review process has two tiers (Directorate and Corporate) and the actions at each for quarter 4 are detailed as follows.

Directorate Risks

- At the quarter 4 position, 261 risks were reported from DRRs. All escalated risks and requests for de-escalation were discussed and approved in SMT on 21 May 2019.
- It was agreed that 11 directorate risks would be carried forward as SMT escalated risks at quarter 4.

Directorate	Economic Development	Education	Governance & Legal Services	Housing & Communities	Planning, Transport & Environment	Resources	Social Services
Directorate Risks	27	28	7	35	39	104	21
Risks at SMT Escalation Point	0	0	1 (shared)	2	3	4	2 (1 shared)

Corporate Risks

- SMT collectively reviewed the escalated directorate risks and corporate risk updates at the end of quarter 4. 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.
- Workforce Planning** – Both residual and target risk ratings reduced from red-amber (B3) to amber-green (C3) in quarter 4, in recognition of the work having been undertaken to have workforce plans in place for every directorate. This is now embedded as part of the corporate planning process.
- Financial Resilience and Budget Monitoring (Control)** – residual risk ratings for both risks reduced from red (B2) to red-amber (C2) in quarter 4 as targeted, following approval of the Council's Budget for 2019/20 and a reported balanced outturn position for 2018/19.
- Non-completion of Statutory Building Equipment Maintenance** – Target reduction date extended to quarter 2 2019/20 in quarter 4. Work is ongoing in respect of Landlord/Occupancy Agreements. The Agreement for Schools has been incorporated within the Schools Handbook and 'one front door' established to assist implementation. An occupancy agreement for non-schools properties has been drafted and is anticipated for completion end of quarter 2 2019/20.

Reason for Recommendation

- To enable the Audit Committee to monitor risk management activity, and consider the Risk Management Review - Quarter 4 2018/19.

Legal Implications

- There are no direct legal implications arising from this report. However, one of the benefits of identifying risk is that mitigation measures may be taken, if appropriate, and

consequently successful claims against the Council may be avoided altogether, or reduced.

Financial Implications

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

RECOMMENDATIONS

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

Christopher Lee
Corporate Director Resources

The following Appendices are attached:

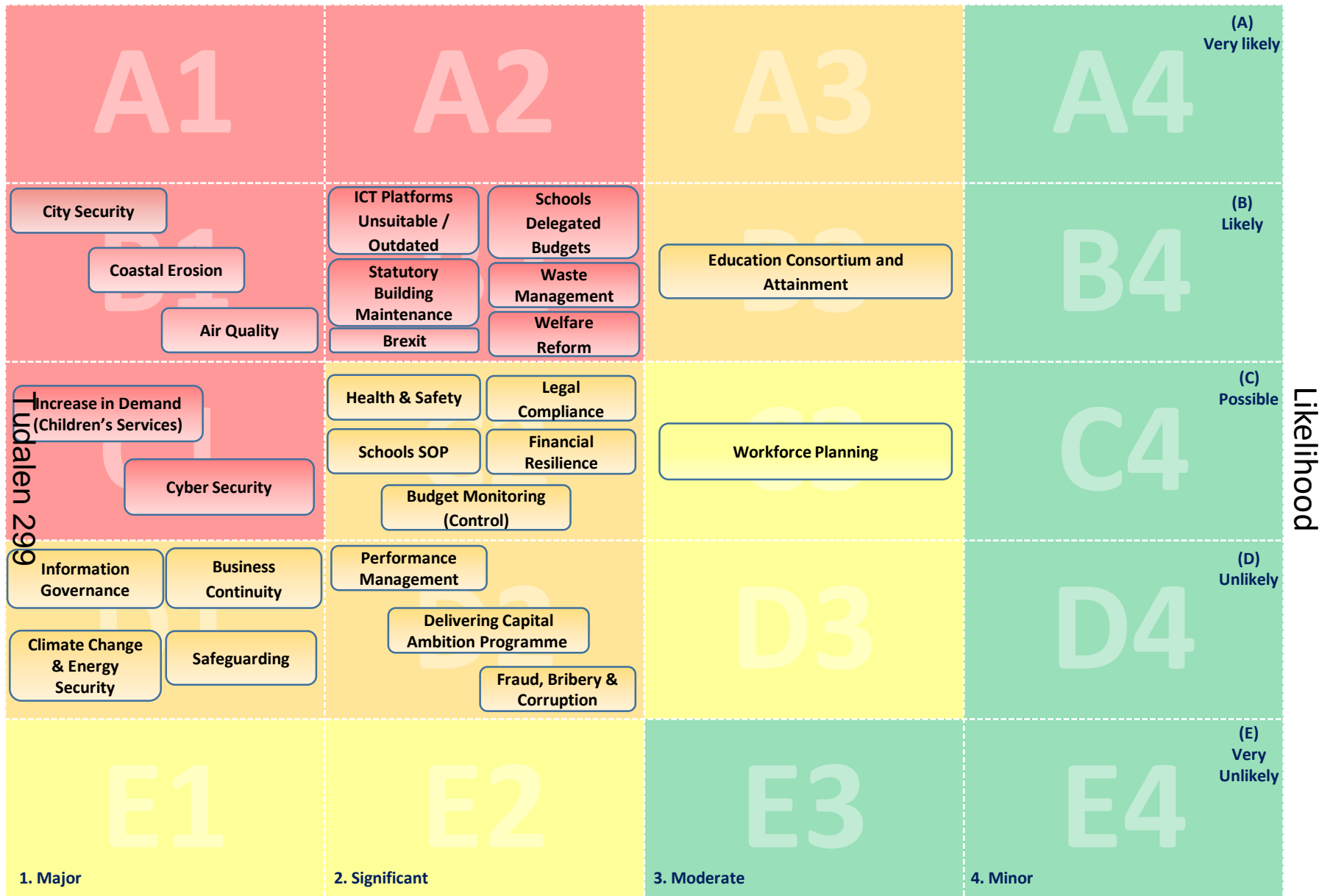
Appendix A - Corporate Risk Map – Q4 2018/19

Appendix B - Corporate Risk Register Summary – Q4 2018/19

Appendix C - Detailed Corporate Risk Register – Q4 2018/19

Mae'r dudalen hon yn wag yn fwriadol

Corporate Risk Map Q4 2018/19



Impact

Likelihood

Tudalen 299

Mae'r dudalen hon yn wag yn fwriadol

Corporate Risk Register Summary Snapshot Quarter 4 2018/19

Number of Risks by Inherent Risk Rating

Likelihood	A	A1 10	A2 2	A3	A4
	B	B1 8	B2 5	B3	B4
	C	C1	C2	C3	C4
	D	D1	D2	D3	D4
	E	E1	E2	E3	E4
		1	2	3	4
		Impact			

Number of Risks by Residual Risk Rating

Likelihood	A	A1	A2	A3	A4
	B	B1 3	B2 6	B3 1	B4
	C	C1 2	C2 5	C3 1	C4
	D	D1 4	D2 3	D3	D4
	E	E1	E2	E3	E4
		1	2	3	4
		Impact			

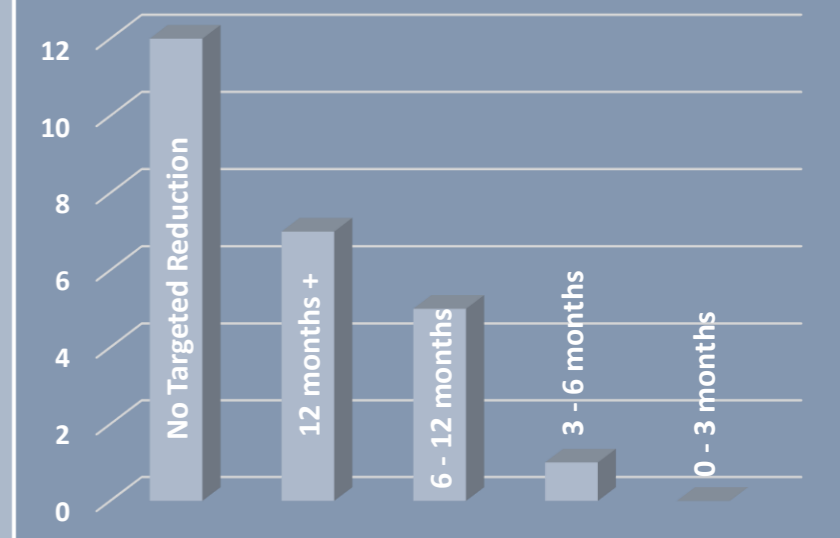
Number of Risks by Target Risk Rating

Likelihood	A	A1	A2	A3	A4
	B	B1 1	B2 1	B3 2	B4 1
	C	C1 2	C2 5	C3 2	C4
	D	D1 3	D2 4	D3 3	D4
	E	E1 1	E2	E3	E4
		1	2	3	4
		Impact			

Tudalen 301

Inherent Risk Rating	Corporate Risk Title	Residual Risk		Target Risk	
		Rating	Movement from Q3	Rating	Movement from Q3
A1	City Security	B1	↔	B1	↔
	Air Quality & Clean Air Strategy	B1	↔	C3	↔
	Brexit	B2	↔	B3	↔
	Non-completion of Statutory Building Equipment Maintenance	B2	↔	D3	↔
	Cyber Security	C1	↔	E1	↔
	Financial Resilience	C2	↓	C2	↔
	Budget Monitoring (Control)		↓		↔
	Schools Organisation Programme (Band B)	C2	↔	D3	↔
	Health and Safety		↔		↔
	Information Governance	D1	↔	D1	↔
A2	Welfare Reform	B2	↔	B2	↔
	ICT Platforms Unsuitable/ Outdated	B2	↔	D3	↔
B1	Coastal Erosion	B1	↔	C1	↔
	Education – Schools Delegated Budgets	B2	↔	B3	↔
	Waste Management	B2	↔	C2	↔
	Increase in Demand (Children's Services)	C1	↔	C1	↔
	Business Continuity	D1	↔	D1	↔
	Safeguarding		↔		↔
	Climate Change & Energy Security	D2	↔	D2	↔
	Delivering Capital Ambition Programme		↔		↔
B2	Education Consortium & Attainment	B3	↔	B4	↔
	Legal Compliance	C2	↔	C2	↔
	Performance Management	D2	↔	D2	↔
	Fraud, Bribery and Corruption		↔		↔
	Workforce Planning	C3	↓	C3	↓

Corporate Risks - Target Reduction Date



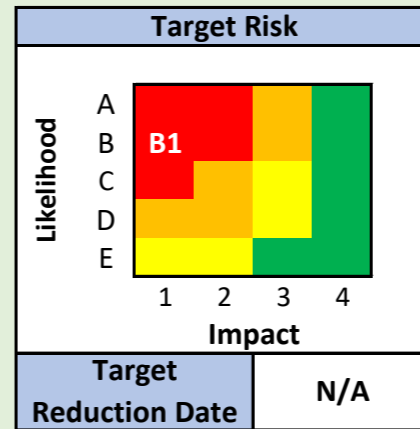
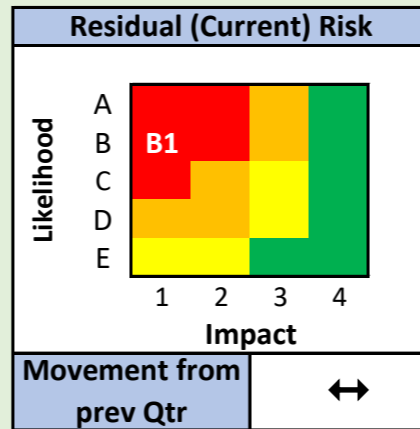
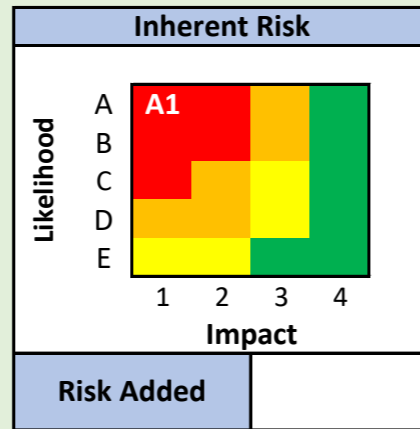
Key

High (Red)	Medium (Red-Amber)
Medium (Amber-Green)	Low (Green)
↓	Decrease from previous quarter
↔	No change from previous quarter
↑	Increase from previous quarter

Mae'r dudalen hon yn wag yn fwiadol

City Security

Description
Major security-related incident in the city as a result of international or domestic terrorism.



Risk Owner(s)

Chris Lee
(Isabelle Bignall)

Andrew Gregory

Councillor Huw Thomas
Leader

What we've done/are currently doing to achieve the Residual Risk Rating

- All existing identified high-risk, crowded places have been formally assessed.
- Some crowded places have an extremely limited and in some cases 'third party managed' access control process to operate them; providing little/no challenge.
- Crowded places have varying standards of boundary treatments protecting them; providing a limited/cursory visual deterrent but little/no protection from a hostile vehicle.
- CONTEST Protect/Prepare Task & Finish Group maintains the City Gateways Public Realm Enhancement Scheme, with agreed options for suitable PAS 68/69 mitigation for appropriate boundary locations; referred to as 'gateways'.
- 19 (38%) of the identified 'gateways' into the crowded places already benefit from PAS 68/69 mitigation in place, implemented as a direct result of Home Office (Crowded Places) and Olympic Legacy funding.
- The estimated cost for the procurement and installation of the PAS 68/69 mitigation and ancillary services is £3.6 Million.
- Work is ongoing with City Operations to advise developers across the city in relation to appropriate mitigation required.
- The Cardiff City Centre Access Control Protocol is currently operating at the heightened response level, reflecting the UK National Threat Level; permitting vehicles onto the pedestrianised areas within Cardiff City Centre using strict parameters.
- The Tabernacle Access Control Document is fully operational and sits and as an annex document to the main City Centre Access Control Protocol. It enables the Urban Traffic Control Officers to better manage Tabernacle 'users', covering their requirements whilst adhering to the existing Traffic Regulation Order.
- Wales Extremism and Counter Terrorism Unit (WECTU) Counter Terrorist Security Advisor's (CTSA's), the Emergency Services & Cardiff Council provide Project Argus and EVAC/Griffin training across the city to raise awareness for likely impacts associated with major incidents and in particular, terrorist attacks. The sessions also cover the support likely to be immediately available from the emergency services and Cardiff Council, the practical and simple preparations people/organisations can make prior to incident occurring to help themselves manage and recover from its impacts.
- As the above shows, the work done in the city to address security concerns has been predominantly focused on the provision of physical assets to mitigate against the threat of hostile vehicles. Although this area remains important, a more holistic approach is needed to develop the city's response to and management of a wider range of potential threats.

What we plan to do to meet target

- The CONTEST Protect/Prepare Group will continue to monitor and review the city's Hostile Vehicle Mitigation scheme to ensure it is fit for purpose until it is fully installed.
- The CONTEST Protect/Prepare Group will give a status report to the Cardiff CONTEST Board
- The CONTEST Board will continue to try to identify external funding sources/opportunities from Welsh Government and UK Central Government to conclude scheme and appropriately mitigate the risk.
- The work that will be completed will improve the protection of the City Centre public realm but further funding will be required to conclude the protection of identified public realm.
- A holistic security strategy for the city is being developed through the city's CONTEST partnership mechanisms. This strategy will extend the perspective of the city's security beyond hostile vehicle mitigation to incorporate a range of security measures, including the continuing development and agglomeration of the city's CCTV and the deployment of new technological solutions
- Once the strategy has been completed it will provide a suite of costed business cases that will allow the continued incremental development of the city's security provision
- This in turn will allow partners to be more responsive to emerging funding opportunities

Potential Impact(s)

Immediate / Short-Term

- Large numbers of fatalities, injuries to public
- Extensive structural damage and/or collapse of buildings
- Major fire
- Damage/disruption to utilities (gas, electricity, water etc.)
- Immediate impact to businesses in the Cardiff area

Ongoing / Longer Term

- Media coverage affecting public perception, leading to a loss of public confidence directly resulting in reduced business, retail and tourism revenues generated in the city.
- Area to be viewed as a risk for potential future business investment.
- Inability to attract major future national and international events (political, sporting etc.)
- Increase in demand for council services/support for all affected.
- Current economic climate to reduce the effectiveness of any recovery/regeneration of the area.

Type(s) of Impact

<ul style="list-style-type: none"> • Service Delivery • Reputational • Legal • Financial 	<ul style="list-style-type: none"> • Health & Safety • Partnership • Community & Environment • Stakeholder
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Linked Risks

Key Indicators / Measures used to monitor the risk

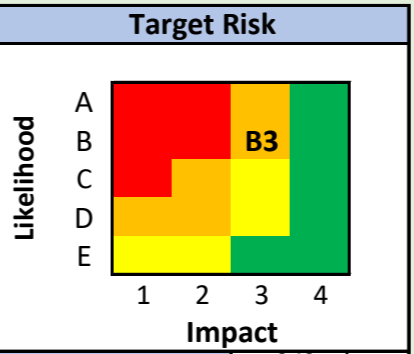
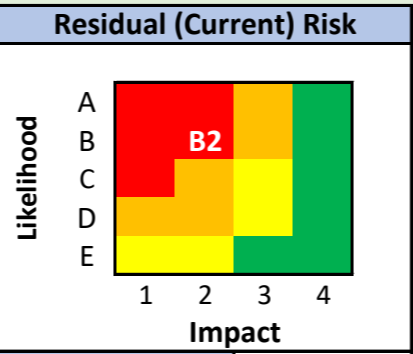
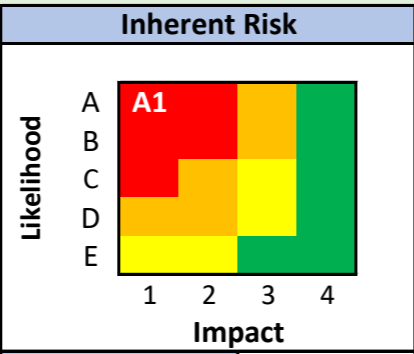
Air Quality & Clean Air Strategy

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<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> <p>The UK and devolved Governments have a legal obligations to achieve nitrogen dioxide (NO2) annual average limit value (A5/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>Andrew Gregory (Gary Brown)</p>	<p>Councillor Caro Wild Strategic Planning & Transport</p>
	<p>Risk Added</p>	<p>Movement from prev Qtr ↔</p>	<p>Target Reduction Date</p>	<p>12 mths +</p>	
Potential Impact(s)		What we've done/are currently doing to achieve the Residual Risk Rating		What we plan to do to meet target	
<p>Consequence:</p> <p>- No improvement to air quality, leading to:</p> <p>Legal & Regulatory / Financial</p> <p>Breach of legal / statutory requirements</p> <p>Potential significant financial penalty</p> <p>Health & Safety</p> <p>- No improvement to health</p> <p>- Increased burden on health care</p> <p>- Further deterioration of related health conditions</p>		<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"> - LDP Policies adhered to (KP18, EN13), Develop and finalise relevant SPG to improve AQA, additional relevant SPGs - Transport strategy- reducing congestion, Car clubs, 20mph zones, changing behaviours - Active Travel Improvements - increase Cycling and Walking - Public Transport Improvements - Buses, Metro, Trains, school travel plans, behaviours - 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. <p>Cardiff's Transport & 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> <p>A number of Active Travel and Transport mitigations have already been implemented:</p> <ul style="list-style-type: none"> - 20 mph zones in Cathays, Gabalfa, Canton and Riverside - Launch of bike hire scheme and installation of 250 Next Bikes in the city centre, with usage uptake extremely positive - Car free day to promote active and alternative travel - Active Travel improvement schemes at various locations, to enable and promote safe and sustainable travel to school etc - A4119 Ph 2b Bus priority measures at Cathedral Rd - Pilot of segregated cycle lane at Maes y Coed Rd 		<p>- ongoing development and implementation of programme of active travel and transport improvements</p> <p>- Outline business case has identified preferred options package of non-charging measures to be consulted on</p> <p>Consultation process is underway (ends May 15th) and following feedback, the preferred options will be refined (subject to cabinet and WG agreement) to enable the full business case to be submitted to WG by the end of June 2019.</p>	
Type(s) of Impact		Linked Risks		Key Indicators / Measures used to monitor the risk	
<ul style="list-style-type: none"> • Service Delivery • Reputational • Financial • Strategic 				<ul style="list-style-type: none"> • Interim plan by end Dec 2018 • Final plan by end Jun 2019 	

Brexit

Description

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.



Risk Owner(s)

Paul Orders (Senior Management Team)	Councillor Huw Thomas Leader (Brexit)
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Risk Added

Movement from prev Qtr ↔

Target Reduction Date 6-12 mths (dependent on ext factors)

What we've done/are currently doing to achieve the Residual Risk Rating

- Officers in regular contact with WLGA / Welsh Government and respective public partners
- Directorates reviewing / monitoring respective business continuity plans and making relevant adjustments where needed.
- Key suppliers identified / Resilience testing
- Lead officer in place for EU Settlement Scheme providing coordination and communication to internal and external stakeholders
- Business continuity Plans reviewed by Emergency Management Unit.

What we plan to do to meet target

- As Brexit outcome becomes clearer priority areas will become the main focus of attention.
- Longer term implications on areas such as workforce planning need to become clearer over the forthcoming period.

Potential Impact(s)

- Community Cohesion – Increase of tensions / hate crime
- Civil unrest – Protest / Disruptions to transport / City links
- Shortage of fuel, foods and medicines will impact on community
- Service Delivery is impacted by shortage / loss of key supplies
- EU Settlement Scheme is not managed effectively thus disrupting those affected
- Business Continuity Plans fail to be effective against the challenges posed by brexit.
- Key facilities not kept open such as schools and advice centres

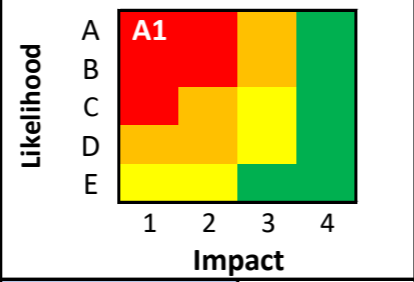
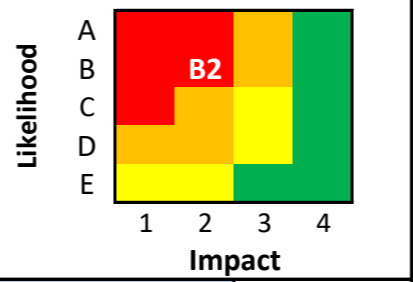
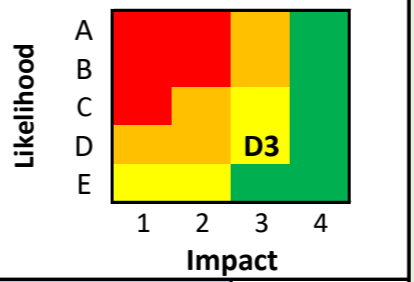
Type(s) of Impact

<ul style="list-style-type: none"> • Service Delivery • Reputational • Legal • Financial 	<ul style="list-style-type: none"> • Health & Safety • Partnership • Community & Environment • Stakeholder
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Linked Risks

Key Indicators / Measures used to monitor the risk

Non-completion of Statutory Building Equipment Maintenance

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<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>Neil Hanratty</p>	<p>Councillor Russell Goodway Investment & Development</p>
		<p>Target Reduction Date Q2 2019/20</p>			
		<p>Movement from prev Qtr ↔</p>			
		<p>Risk Added</p>			
What we've done/are currently doing to achieve the Residual Risk Rating					
<p>Contractor</p> <ul style="list-style-type: none"> Statutory Planned Preventative Maintenance (PPM) undertaken by competent contractor. Consequential remedial work identified on test certificates. 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. FM competent person(s) review all test certificates, remedial work captured and communicated to client as necessary/applicable 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. <p>RAMIS IT Software</p> <ul style="list-style-type: none"> RAMIS implemented across the Council with bi-monthly reporting on statistics to SMT; 200 Building Managers have received training in their responsibilities and use for the RAMIS system, including schools estates staff and Headteachers. 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. RAMIS has been embraced by Service Areas and will ensure that the Council is aware of the compliance position on any given asset to avoid any risks to building users and the organisation. Condition surveys have been completed which represents an extensive piece of work to improve our understanding and knowledge base of all the Council's land and property holdings. Procurement of new Building Maintenance Framework arrangements to be utilised from April 2019. <p>Corporate Landlord Programme</p> <ul style="list-style-type: none"> County Estates senior management structure established supporting - Strategic Asset Management, Capital Delivery and Property Services, to manage and deliver all the Council's non-domestic property functions within one portfolio. 					
What we plan to do to meet target					
<p>Statutory Obligation Compliance</p> <ul style="list-style-type: none"> Continue to commission investigations / work to complete required compliance testing (and works required) in respect of 'gaps' in compliance identified by reports from RAMIS. <p>Landlord / Occupancy Agreement</p> <ul style="list-style-type: none"> Complete Landlord/Occupancy Agreement template and roll out in 2019/20. This will set out principle occupant and landlord permissions responsibilities and Permission for Works arrangements required. 					
Potential Impact(s)		Linked Risks		Key Indicators / Measures used to monitor the risk	
<p>Potential consequences of non-compliance with statutory maintenance:</p> <ul style="list-style-type: none"> Fatalities or serious injuries Closure of part or whole of facilities with major disruption to service delivery HSE interventions and consequential actions including fines and prosecution; Significant additional expenditure requiring realignment of Corporate budgets; Temporary relocation of staff Temporary loss of operational service Invalidation of insurance policy Serious adverse impact on reputation Damage to fabric of building or other equipment 				<p>Compliance stats from the Corporate Health & Safety Team.</p>	
Type(s) of Impact					
<ul style="list-style-type: none"> Service Delivery Reputational Legal Financial 		<ul style="list-style-type: none"> Health & Safety Partnership Community & Environment Stakeholder 			

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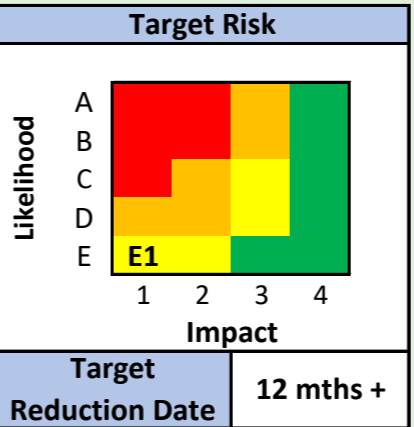
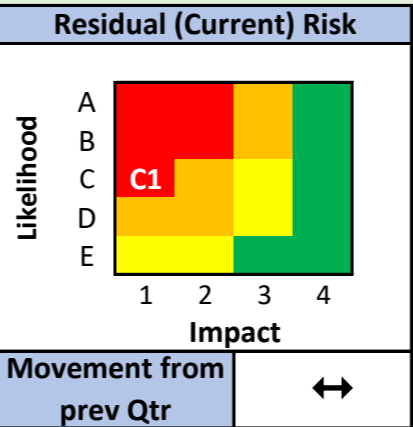
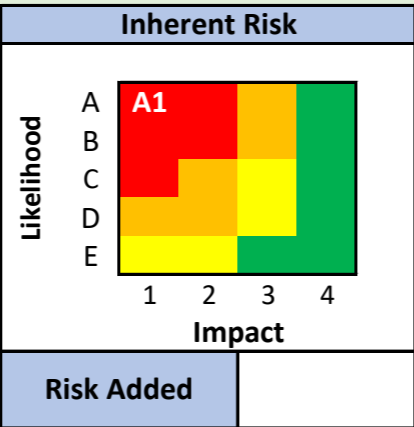
Cyber Security

Description

Two of the eleven areas of a Cyber Security assessment underpinning the corporate risk have been identified as high risk as follows:

Monitoring - inability to assess how and when systems are being used, leading to an ineffective response to deliberate attacks or accidental user activity.

Corporate Cloud Security - 2016 Internal Audit identified contract, SLA and service management weaknesses in externally hosted services.



Risk Owner(s)

Chris Lee
(Phil Bear)

Councillor Chris Weaver
Finance, Modernisation and Performance

What we've done/are currently doing to achieve the Residual Risk Rating

The principal controls for the high risk areas are as follows:

Monitoring - Minimal routine log analysis with incident reporting to ISB and discussed with IAO.

Corporate Cloud Security - Maturing PIA & CIA process used to assess risks to data and technology solutions.

What we plan to do to meet target

- ICT and Information Governance (IG) Teams to continue to liaise with FM for physical security assurances and to promote an incident reporting culture.
- To ensure strong ICT security, monitoring and cloud security controls:
 - ICT lifecycle and notification targets are being monitored and managed through the 'ICT Platforms' risk actions.
 - Collaboration between ICT and IG to develop and map current ICT system providers in phased development of an Information Asset Register.
 - Privacy Impact Assessment / Cloud Impact Assessments to be reviewed to ensure compliance with the requirements of the General Data Protection Regulation (GDPR) Action Plan being managed by the Information Governance Team.
 - Governance and management requirements to be formalised for periodic and systematic review of all ICT systems.
- SIRO to review / consider Cloud Infrastructure to ensure:
 - Assurance of effective governance and management.
 - Resource, risk appetite and outcomes required.
 - Education of business systems owners in risk and management of cloud based services.

Potential Impact(s)

The intent of cyber attackers includes, but is not limited to:

- financial fraud;
- information theft or misuse,
- activist causes to render computer systems intolerable and to disrupt critical infrastructure and vital services.

The impact of a cyber-attack / incident has the potential to involve the realisation of the risks associated with:

- An information governance breach (i.e. Stop Now Order, Information Notice, Enforcement Notice, Financial Penalty etc.)
- A business continuity incident – with a potential for major loss of service and legal, health and safety and financial implications.
- A financial / fraud related attack.

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.

Type(s) of Impact

- Service Delivery
- Reputational
- Legal
- Financial
- Health & Safety
- Stakeholder

Linked Risks

Key Indicators / Measures used to monitor the risk

Financial Resilience

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<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 £105 million for the period 2020/21 to 2023/24.</p>				<p>Chris Lee (Ian Allwood)</p>	<p>Councillor Chris Weaver Finance, Modernisation and Performance</p>
	<p>Risk Added</p>	<p>Movement from prev Qtr</p> <p style="text-align: center;">↔</p>	<p>Target Reduction Date</p> <p style="text-align: center;">N/A</p>		
	<p>What we've done/are currently doing to achieve the Residual Risk Rating</p>			<p>What we plan to do to meet target</p>	
<p>Potential Impact(s)</p> <ul style="list-style-type: none"> • Risk of failing to meet statutory obligations and that service delivery impacted due to uncertainty in the budget planning process. • Risk that settlement figures will not be as anticipated giving an element of uncertainty to any proposals from Cabinet during public consultation and beyond. • Risk that savings identified as part of business as usual and efficiencies have not been robustly reviewed for achievability and will not deliver as planned. • Risk that financial constraints and budget proposals result in unintended consequences such as increased instances of non-compliance and financial impropriety. • Risk that annual budget settlement frustrates medium / longer-term planning and that the cycle does not integrate with other business cycles and vice versa. • Risk that Medium Term Savings are not identified in a coherent, strategic way which impacts on service delivery. • 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. 	<p>2019/20 and Medium Term</p> <ul style="list-style-type: none"> • The Council has agreed for 2019/20 a Financial Resilience Mechanism of £3.8m. This has been used for one off use initiatives in 2019/20. This £3.8m is retained for 2020/21 and will be put into operation in the event of the 20/21 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. • The final 2019/20 Budget was underpinned by Directorate Savings of £19.157m, Use of earmarked Reserves £2.75m and Council Tax at 4.9%. Robust Monitoring mechanism will consider Month 3 position in order to inform the first Cabinet report in September 2019. • The MTFP set out in the 2019/20 Budget Report and now highlights an estimated Budget Reduction Requirement of £105m for the medium term (2020/21/-2023/24) • Further diligence in respect to the rating of risk of each saving proposal but the responsibility for detail and achievability remains with the directorate. • The Council regularly reports in relation to its financial performance and monitoring. • The Wales Audit Office identified that the Council has a transparent and effective savings approach which supports financial resilience being achieved. • 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 19), Budget Strategy (Jul) and to Audit Committee. 			<p>2019/20 and Medium Term</p> <ul style="list-style-type: none"> • Where needed, further work being undertaken to identify any areas of further action in respect to budget saving proposals put forward for 2019/20. These proposals will be closely monitored during the year. • Work will shortly commence in respect to 2020/ 21 budget proposals and a robust medium term financial plan taking into account internal and external challenges. This will include alignment with the Digital, Service Review, and Senior Management Team. • 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. • Continue to refresh assumptions at key stages as relevant information becomes available. 	
<p>Type(s) of Impact</p> <ul style="list-style-type: none"> • Service Delivery • Reputational • Legal • Financial 	<p>Linked Risks</p>		<p>Key Indicators / Measures used to monitor the risk</p> <p>Financial Snapshot which highlights historical and current performance on performance against budget, performance against savings against budget, level of borrowing, financial ratios Work being undertaken with SMT to consider the savings opportunities over the medium term 2020/21 - 2023/24</p>		
<p>• Stakeholder</p>					

Budget Monitoring (Control)

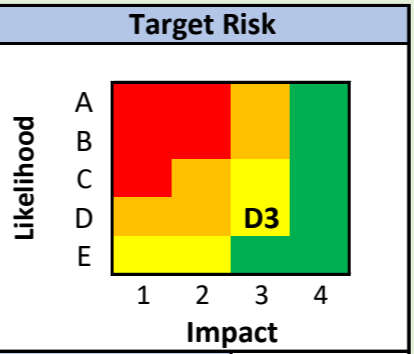
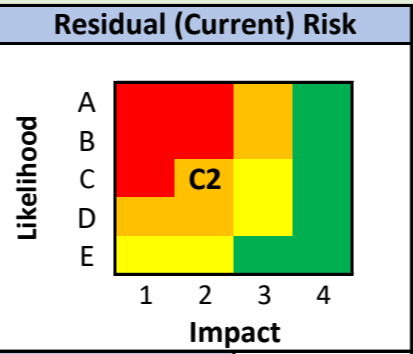
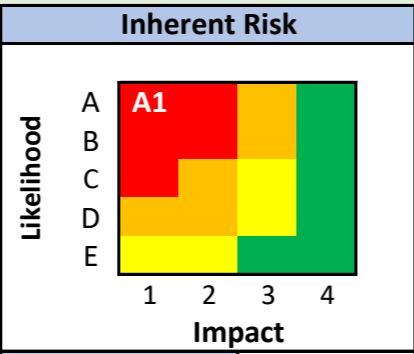
Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)							
<p>Failure to achieve the budget set, inclusive of budgeted spend and savings across Directorates, with increased use of emergency finance measures and the drawdown of reserves.</p>				Chris Lee	Councillor Chris Weaver Finance, Modernisation and Performance						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Risk Added</td> <td style="width: 50%;"></td> </tr> </table>	Risk Added		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Movement from prev Qtr</td> <td style="width: 50%; text-align: center;">↔</td> </tr> </table>	Movement from prev Qtr	↔	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Target Reduction Date</td> <td style="width: 50%; text-align: center;">N/A</td> </tr> </table>	Target Reduction Date	N/A		
Risk Added											
Movement from prev Qtr	↔										
Target Reduction Date	N/A										
	What we've done/are currently doing to achieve the Residual Risk Rating			What we plan to do to meet target							
	<ul style="list-style-type: none"> Clear financial procedure rules setting out roles and responsibilities for budget management are in place. In recognition of the quantum of savings and the risks posed a £3 million General Contingency was allocated in the Budget. The 2018/19 Month 9 position highlights a significant directorate overspend but an overall balanced budget. The Corporate Director of Resources, Chief Executive and Cabinet Members continue to hold challenge meetings and these will continue for 2019/20. 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. 			<ul style="list-style-type: none"> The outturn position will be used to inform the key risk areas for budget monitoring in 19/20. 							
Potential Impact(s)	Linked Risks			Key Indicators / Measures used to monitor the risk							
<ul style="list-style-type: none"> Inability to balance spend, against budget, for the financial year. Requirement to implement emergency measures to reduce spending during the financial year thus adversely impacting on ability to meet corporate plan objectives. Requirement to drawdown from General Reserves at the year end. 	<p style="font-size: 2em; transform: rotate(-90deg); position: absolute; left: -100px; top: 50%; white-space: nowrap;">Budget 309</p>			<p>Monthly Directorate Monitoring reports detailing likely outturn position and performance against savings accepted.</p>							
Type(s) of Impact	Linked Risks			Key Indicators / Measures used to monitor the risk							
<ul style="list-style-type: none"> Service Delivery Reputational Legal Financial 	<p>• Stakeholder</p>			<p>Monthly Directorate Monitoring reports detailing likely outturn position and performance against savings accepted.</p>							

Schools Organisation Programme (Band B)

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)							
<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>Nick Batchelar (Janine Nightingale)</p>	<p>Councillor Sarah Merry Deputy Leader & Education, Employment & Skills</p>						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #d9e1f2;">Risk Added</td> <td></td> </tr> </table>	Risk Added		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #d9e1f2;">Movement from prev Qtr</td> <td style="text-align: center;">↔</td> </tr> </table>	Movement from prev Qtr	↔	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #d9e1f2;">Target Reduction Date</td> <td style="text-align: center;">N/A</td> </tr> </table>	Target Reduction Date	N/A		
Risk Added											
Movement from prev Qtr	↔										
Target Reduction Date	N/A										
Potential Impact(s)		What we've done/are currently doing to achieve the Residual Risk Rating		What we plan to do to meet target							
<ul style="list-style-type: none"> Insufficient secondary places in some central area of the City. Insufficient places in ALN settings across the City, leading to costly placement in out of county & private settings. School Buildings that are not suitable for teaching and learning Further degeneration of school buildings & rise in asset management backlog Three category “D” condition buildings, that are classed as end of life failing & being closed with hundreds of displaced students across the City. Reducing educational standards. Risk that insufficient capacity in team to deliver the very large programme. Project cost and time overruns Risk that Welsh Government do not approve individual project funding if not satisfied with Business Cases. 		<ul style="list-style-type: none"> 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. Robust governance model, in line with Corporate Landlord being agreed. Arup report commissioned to look at Governance & capacity issues within the SOP team, with recommendations reported to Cabinet in May 2018. Head Teachers & Chairs of Governors of those schools involved in Band B briefed on process and timescales. Band B Delivery Group and School Development group formed internally to look corporately at issues including legal title, highways & transportation and planning. Technical feasibility and design work underway with assistance from Mott McDonald and Stride Treglown architects. Finance preparing the capital profiles for submission to Welsh Government and to monitor draw down and spends. Strategic Estates Department commissioned to achieve capital receipts of £25m to assist in funding the capital programme. 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. Developing a robust procurement strategy for this large scale programme. 		<ul style="list-style-type: none"> Formal Governance via the Schools Programme Board. 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. Continued active dialogue with Welsh Government and other professional parties to support progress and development. Prioritise population data development to support accurate projections and forecasts for existing resident populations and to support effective s106 negotiations going forward. Ensure consistent monitoring and reporting of all risks to Schools Programme Board. 							
Type(s) of Impact		Linked Risks		Key Indicators / Measures used to monitor the risk							
<ul style="list-style-type: none"> Reputational Legal Financial Social 		<ul style="list-style-type: none"> Health & Safety Stakeholder 									

Health & Safety

Description
 Improved corporate health and safety arrangements for key risks across the Council – require imbedding and ongoing monitoring.



Risk Owner(s)

Chris Lee (Donna Jones)	Councillor Chris Weaver Finance, Modernisation and Performance
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Risk Added **Movement from prev Qtr** ↔ **Target Reduction Date** 6-12 mths

What we've done/are currently doing to achieve the Residual Risk Rating

- Corporate Health and Safety Structure in place - team reduced by one in Qtr 4, with one staff member allocated full time to Lamby Way for QTR3 & 4 - which has impacted on resources available.
- Key Health and Safety Policy and Guidance reviewed and updated.
- RAMIS fully implemented covering statutory risk on Council Premises - H&S Lead on administration to ensure consistent approach to management of building risk.
- Health and Safety Support Service for schools in place, completed first term of support - all urgent work requirements completed at end of QTR 4.
- Corporate H&S manage risks from Asbestos, Fire & Legionella, A Strategic Review of Fire and legionella completed in QTR 4 - Update to SMT 5/19.
- 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.
- Corporate Asbestos Team implemented in QTR 4 - The team will manage all asbestos surveying for Council Premises including management surveys, provision of local sampling and updating of RAMIS. The team will also provide all asbestos training for the Council.
- Implementation of the following digital services in Q4:-

ALERT – PACD Replacement rolled out across the Council.
RAMIS – Asbestos module implemented.
RAMIS – Risk Assessment Library - piloted in QTR 4
RAMIS – Accident reporting module implemented
- Asbestos Management – Revised Policy and procedures implemented across the Council.
- UKATA accreditation gained for Asbestos Awareness Training to Council employees and contractors.
- Programme of Asbestos Surveying commenced in QTR4.

What we plan to do to meet target

- Management of the risk from Legionella bacteria in water systems must be improved across the council. In order to maintain efficiency and ownership of risk controls caretaking staff trained in legionella management and temperature controls. further work required to embed this process which will improve overall management of the risk from Legionella in Council premises.
- Establish a UKATA training centre for delivery of CAT B Asbestos training to Council employees and contractors - urgent requirement as currently no training provider in place.
- Programme of Asbestos Surveying to be delivered in 2019/20.
- Risk Assessment Library to be rolled out in 19/20 Qtr1 & 2.
- Improvement action - Waste Services following HSE Improvement Notice.
- Share Point to be implemented for H&S in 19/20 QTR 1
- Intranet Page to be established for H&S with A to Z facility.

Potential Impact(s)

- Fatalities
- Serious injuries
- Prosecution – fines for corporate body and/ or fines/imprisonment for individual
- Civil Claims
- Negative Publicity

Type(s) of Impact

- Service Delivery
- Reputational
- Legal
- Financial

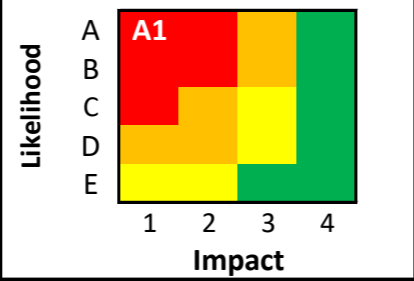
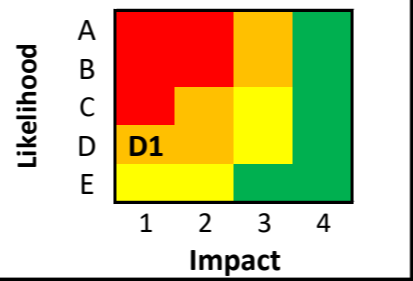
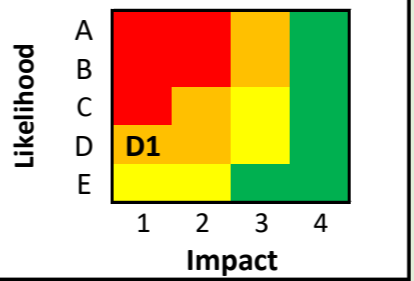
Linked Risks

Key Indicators / Measures used to monitor the risk

RAMIS is used to monitor statutory risk in relation to premises safety, bi-monthly reporting to SMT, quarterly reporting to Health and Safety Forum.
 Compliance against annual Corporate H&S Objectives, used to monitor improvement secured in Service Areas, reported to Health and Safety Forum.

Addendum 311

Information Governance

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<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>				Chris Lee	Councillor Chris Weaver Finance, Modernisation and Performance
	Risk Added	Movement from prev Qtr	Target Reduction Date	N/A	
	What we've done/are currently doing to achieve the Residual Risk Rating			What we plan to do to meet target	
<p>Potential Impact(s)</p> <p>Leads to the Information Commissioner issuing notices of non-compliance</p> <p>These could consist of:</p> <ul style="list-style-type: none"> • A Stop Now Order which would mean that no personal data could be processed by the Council in its entirety • An Information Notice which would mean that a service would have to provide information in a very limited period thereby impacting on service delivery • Undertaking which requires an Action Plan of Remedial Measures which would be subject to ICO Audit • Enforcement Notice requires immediate improvement action to be put in place • Financial Penalty up to £17,500,000 for Higher Level Tier and £8,000,000 for Lower Level Tier breaches of the Data Protection Act 	<ul style="list-style-type: none"> • Information Security Board is provided with Information Requests and Training compliance monitoring reports quarterly. This is chaired by the SIRO. • Suite of Information Governance Policies and Strategies in place and annually updated. • Data Protection Officer in post in line with articles 37-39 of the GDPR • Information Governance/Data Protection Processes audited and gained assurance as part of Internal Audit in March 2019 and Cyber Security Plus ISAME Accreditation process in March 2019. This has built on the last ICO Consensual Audit determined that the Council is considered to have a 'reasonable level of assurance' in place • Processes established for corporate handling of all Freedom of Information and Individual Rights Requests • Data Security Incident processes in place and communicated to all staff together with formal reporting processes when required to the Information Commissioner • The Information Governance Training Strategy in place and training provided to staff with access to electronic personal data • Processes established through procurement and ICT acquisition processes for ensuring Data Protection Impact Assessments are completed if personal data is being processed, including Data Processing Agreement with third party contractors • All new standard Council contracts include a clause regarding 3rd Parties processing personal data and obligations in respect of Freedom of Information. • Standard Data Processing Agreements in place which services are required to complete and sign with any third parties who process personal data on behalf of their service. • A corporate Information Asset Register is held which details personal data assets held by each Council directorate • Service Level Agreements in place for contracted Data Protection Officer role to Rent Smart Wales, Cardiff Capital Region City Deal and the National Adoption Service as Cardiff Council is the Data Controller for these services • Advice and assistance provided to collaborative services of the Educational Consortium, Vale, Valleys and Cardiff Regional Adoption Service and Shared Regulatory Service where Cardiff is not the Data Controller • Advice, guidance support and the contracted role of the Data Protection Officer is provided to all Cardiff Schools to aid compliance within schools and governing bodies data controllership responsibilities. • Advice and guidance is available to Directors and Lead Officers on the Information Governance aspects of Capital Ambition Programme. • Corporate Retention schedule in place and updated annually in line with any legislative changes • Information Governance Maturity Model established to monitor risks against areas of information governance to feed into corporate risk status • The Digitalisation of Paper Records Strategy and associated business process changes is in place • A Corporate external pilot storage contract is in place to improve processes and financial spend on storage of paper records externally 			<ol style="list-style-type: none"> 1) Data Protection e-learning training to be released on a directorate basis by September 2019 with 100% compliance targeted within each directorate 2) Individual Rights request processes to be reviewed to consider any opportunities available to improve compliance and streamline the Council's ability to handle requests 3) As the result of new legal advice requires further work, building on the previous work, to issue a variance of contract for all existing contracts in place to be developed and provided to each directorate to issue to ensure compliance with the Data Protection Act 2018 and any adequacy decisions to be determined by the Information Commissioner post Brexit 4) A Record of Processing Activity to be developed with responsibilities for the personal data assets to be assigned to the responsible directorate Information Asset Owner 5) Following the pilot contract for Records Storage a formal contract to be put out for tender in quarter 2 of 2019/20 following conclusion of the pilot scheme 	
<p>Type(s) of Impact</p> <ul style="list-style-type: none"> • Service Delivery • Reputational • Legal • Financial 	<p>Linked Risks</p>		<p>Key Indicators / Measures used to monitor the risk</p>		
<ul style="list-style-type: none"> • Stakeholder 					

Welfare Reform

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<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>				Sarah McGill (Jane Thomas)	Councillor Lynda Thorne Housing & Communities
	Risk Added	Movement from prev Qtr ↔	Target Reduction Date	N/A	
	What we've done/are currently doing to achieve the Residual Risk Rating			What we plan to do to meet target	
	<ul style="list-style-type: none"> Communities staff continue to work closely with private landlords and advice agencies to mitigate wherever possible the reduction in benefit. Discretionary Housing payments are being used to top up the benefit claims of those most affected by the changes and to pay rent in advance and bonds to help tenants to move accommodation where necessary. Timely information is being given to claimants to help them respond to the changes. A streamlined process is in place for re-housing tenants who need to downsize as a result of the social housing size restrictions. DHP is being used to pay removal costs and to cover shortfall while tenants are waiting to move. 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. 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. 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. The Advice Hub in Central Library is providing comprehensive advice services for those affected by Welfare Reform and this is being rolled out across the city in Community Hubs and foodbanks. The 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. Briefings continue to be provided to Members on Welfare Reform and further information is sent as appropriate. Digital inclusion training and banking support has been successfully implemented and will continue to be monitored. Into Work Services are providing services across the city and helping people get back to work with particular focus on those families affected by the benefit cap. 			<ul style="list-style-type: none"> 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. 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. Regular meetings are held with social housing providers to monitor and improve processes. DHP spend is being monitored carefully. Expenditure for 19/20 will continue focusing on the most vulnerable individuals, helping people with the transition into work and mitigating the risk of homelessness. Services for private landlords are being further developed to help prevent them withdrawing from the market. 	
	Potential Impact(s)				
	<ul style="list-style-type: none"> Private landlords stop renting to benefit claimants Social housing rents become unaffordable to some claimants, in particular those with large families Increased homelessness and demand for temporary accommodation Increased rent arrears, increased evictions Redeployment / Severance for 140 benefits staff Changing demands on Council stock resulting in increased voids and/or undersupply of smaller properties Barriers to building additional affordable housing Supported accommodation becomes unaffordable impacting on social services and vulnerable homeless clients 				
	Type(s) of Impact		Linked Risks		Key Indicators / Measures used to monitor the risk

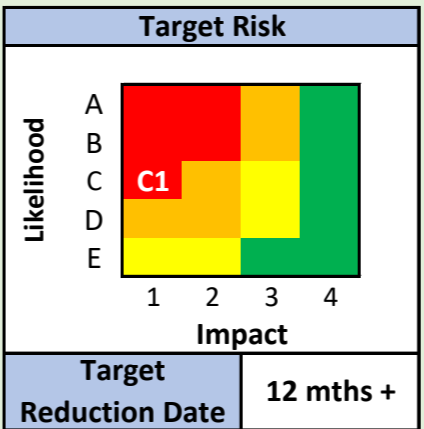
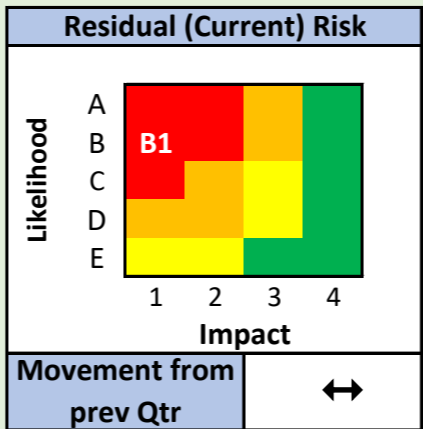
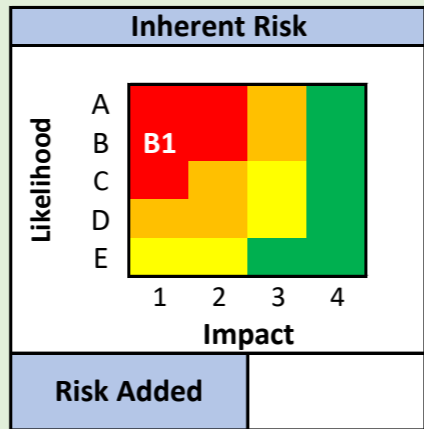
ICT Platforms Unsuitable / Outdated

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)							
<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>				Chris Lee (Phil Bear)	Councillor Chris Weaver Finance, Modernisation and Performance						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Risk Added</td> <td style="width: 50%;"></td> </tr> </table>	Risk Added		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Movement from prev Qtr</td> <td style="width: 50%; text-align: center;">↔</td> </tr> </table>	Movement from prev Qtr	↔	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Target Reduction Date</td> <td style="width: 50%; text-align: center;">12 mths +</td> </tr> </table>	Target Reduction Date	12 mths +		
Risk Added											
Movement from prev Qtr	↔										
Target Reduction Date	12 mths +										
	What we've done/are currently doing to achieve the Residual Risk Rating			What we plan to do to meet target							
	<ul style="list-style-type: none"> Spending for renewal/upgrade of highest risk items, in particular firewalls, core servers/switches and external bandwidth is under review. New system down analysis process in place to ensure that key pressure points are rapidly identified and fixed at minimum cost until full programme can be initiated. Recent issues with telephony have resulted in retargeting of some resources to focus on weak points now identified. New deliveries are all being designed for a 99.99% minimum uptime, with critical systems targeted at 99.999% (equating to less than 6 minutes per year) Active projects underway and the current aged file storage solution have been replaced and cloud based storage for additional resilience and flexibility is being assessed. Other projects underway to replace many of the core older back end servers. Corporate file storage systems replaced and new disk to disk backup option installed to improve performance and resilience. Due to mitigation actions so far to reduce the risk, the risk of critical service downtime has been reduced. Additional load balancers to be purchased for application resilience in key systems. Continued assessment of priorities for replacement – applications infrastructure and servers are the next priority Completed refresh of existing SAP, thin client and virtual server farms. Assessment of equipment required replacing to maintain PSN compliance Further revenue and capital investment in 2018-20. Completed migration of VM infrastructure over to Pure Storage. Completed migration of users from old remote access service to new solution. 			<ul style="list-style-type: none"> Development of lifecycle monitoring and clearer customer engagement. Pilot leasing scheme within schools to be considered for corporate desktop estate Breakdown of costs to remediate to be generated and reviewed. To include workstation replacement costs, supporting network infrastructure and server infrastructure. 							
Potential Impact(s)											
<ul style="list-style-type: none"> Loss of PSN services. Service delivery impacts from unreliable/unavailable ICT systems Cardiff seen as unable to deliver on aspirations Poor morale from frustrations with inability to deliver services. Potential for income losses from revenue collection impacts. Unable to meet delivery deadlines on both business as usual and transformation projects. 											
Type(s) of Impact	Linked Risks			Key Indicators / Measures used to monitor the risk							
<ul style="list-style-type: none"> Service Delivery Reputational Financial Stakeholder 				<ul style="list-style-type: none"> Annual independent testing of external and internal infrastructure via Information Technology Health Check (ITHC) for PSN compliance. 							

Updated 31/4

Coastal Erosion

Description
Breach of current defences resulting in widespread flooding.



Risk Owner(s)

Andrew Gregory

Councillor Michael Michael
Clean Streets, Recycling and Environment

What we've done/are currently doing to achieve the Residual Risk Rating

- 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.
- The current adhoc defences along the area are in a very poor condition.
- The necessary works are holistic and cannot be phased, therefore the residual risk rate cannot be lowered until the completed construction of the coastal defence scheme in its entirety.
- An Outline Business Case (OBC) has been submitted to Welsh Government for review as part of the WG Coastal Risk Management Programme that provides a funding mechanism for 75% of onward capital costs.
- A 25% capital matchfunding bid for 18/19 has been submitted & approved subject to WG grant award
- Formal application for funding and approval from WG submitted
- A Cabinet Office Forward Plan was submitted for March 2018 Cabinet Meeting for funding approval.
- 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)
- 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.
- Full Business Case and detailed design tendered and contract awarded to JBA.

What we plan to do to meet target

Next steps:

Completion date for FBC anticipated February 2020.

Public/ stakeholder consultation events continue to be held to present the current risk and proposed options.

Working with Emergency Management to formulate interim measures

Potential Impact(s)

- 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
- Erosion to two decommissioned land fill sites, with risk of releasing landfill material into the Severn Estuary and having significant environmental impacts
- Flood risk to 1,116 residential and 72 non-residential properties over 100 years, including risk to life, property, infrastructure and services
- 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 Seven Estuary.

Type(s) of Impact

- Service Delivery
- Reputational
- Financial
- Strategic
- Health & Safety

Linked Risks

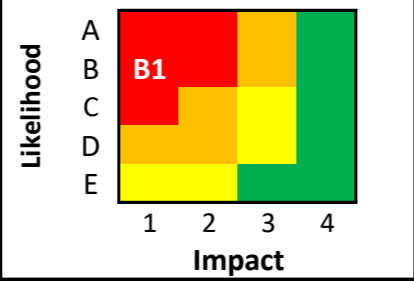
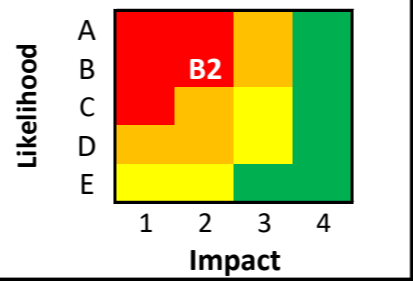
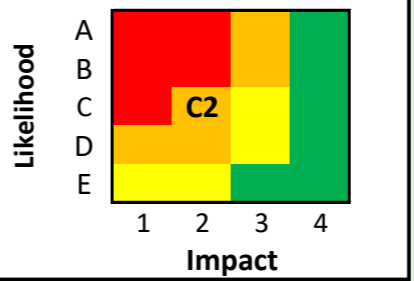
Key Indicators / Measures used to monitor the risk

- Award of contract for FBC by Dec 2018
- Key milestones TBC on award of FBC

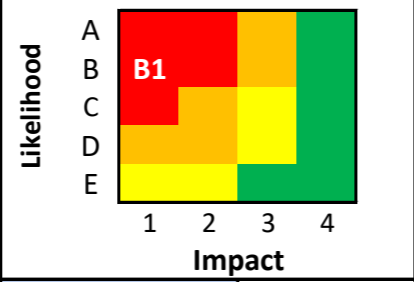
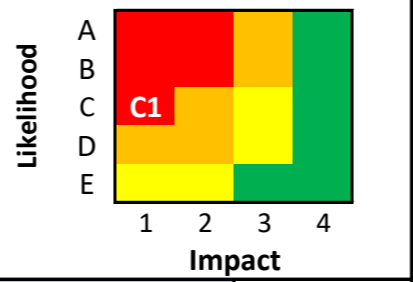
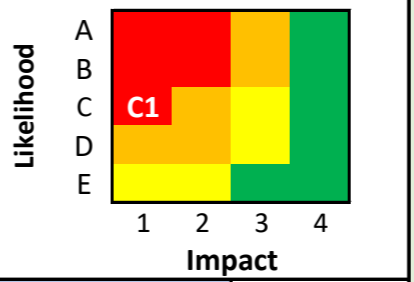
Education - Schools' Delegated Budgets

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<p>Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans.</p>				<p>Nick Batchelar (Neil Hardee)</p>	<p>Councillor Sarah Merry Deputy Leader & Education, Employment & Skills</p>
	<p>Risk Added</p>	<p>Movement from prev Qtr ↔</p>	<p>Target Reduction Date 12 mths +</p>		
	What we've done/are currently doing to achieve the Residual Risk Rating			What we plan to do to meet target	
	<ul style="list-style-type: none"> The 2019/2020 delegated budget allocations were issued to schools in early March 2019 and monitoring arrangements put in place for those schools showing financial concern. Officers from Education and Financial Services have started to work with individual schools through Headteachers and Governing Bodies to formulate Medium Term Financial Plans (MTFP) to seek to either balance individual school deficits within four financial years or to ensure that the accumulated deficits were frozen or slowed as much as possible. Officers continue to monitor and challenge those schools in deficit before allowing any additional financial commitments, both staffing and other expenditure. Reviewing closely with Education Management Team and SOP in particular as to the opportunities available to address short medium term fall in pupil numbers for certain secondary schools. For each school in deficit, the Council has identified a monitoring officer to provide an independent challenge to the school. This is in addition to the LFM Officer currently supporting that school. Individual school budget monitoring positions reported to Education Management Team on a quarterly basis. School Budget Forum has agreed a revised protocol for responding to schools in deficit. Finance Officers continue to meet with Challenge Advisers to discuss individual schools in respect of their financial and school standard performance. The Council has been able to protect school delegated budgets over and above the Welsh Government threshold and a smaller number of schools than in 18/19 have been identified as requiring meeting with S151 officer and senior education officers. These meetings took place in April and early May. 			<ul style="list-style-type: none"> Officers exercise the statutory powers of intervention on a school or schools in deficit who are unable to provide a medium term financial plan, this may involve removing delegation from a Governing Body. Officers explore through the School Organisation Planning process how different organisational arrangements for schools would affect the supply of pupils to schools thus affecting their delegated budgets. This will include an understanding of the long term impact of any unused school supply places on the funding formula. Working with CSC to ensure that maximising value from constituent parts of Education Improvement Grant is secured and that there is clarity of allocation mechanism for 2019/20 and beyond. Following consultation with the School Budget Forum an audit of budget impact on individual schools was undertaken during the Summer Term 2018 and this will be undertaken again in the summer of 2019. A higher response rate than in the previous year is expected and will feed into the discussion regarding the medium term financial plan. A working group has been established to examine the medium term financial planning processes used by the LA and schools. 	
	Potential Impact(s)		Linked Risks		Key Indicators / Measures used to monitor the risk
<ul style="list-style-type: none"> Overall deficit arising from schools budgets will count against the funding available for the Council School balances have been subject to significant public scrutiny There has been an increasing awareness of school finances Deficits that are not managed early in the process have tendency to accumulate Deficit budgets are sometimes linked to other management challenges within schools 					
	Type(s) of Impact				
<ul style="list-style-type: none"> Reputational Legal Financial 					

Waste Management

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<p>Failure to meet statutory recycling targets and deliver cost effective compliance with waste management legislation.</p>				<p>Andrew Gregory (Matt Wakelam)</p>	<p>Councillor Michael Michael Clean Streets, Recycling and Environment</p>
	<p>Risk Added</p>	<p>Movement from prev Qtr ↔</p>	<p>Target Reduction Date 12 mths +</p>		
	<p>What we've done/are currently doing to achieve the Residual Risk Rating</p>			<p>What we plan to do to meet target</p>	
	<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: https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Documents/CAB%20Appendix%201%20-%20Recycling%20Waste%20Management%20Strategy%202015%20Eng.pdf</p> <p>Current Controls as at 18/19:</p> <p>Recycling Development:</p> <ul style="list-style-type: none"> - Consultation of Waste & Recycling Strategy 2018-2021 has been completed and presented to Cabinet. - 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. - The newly installed Auto Sorter for mixed plastics/ fibre products became operational (July 2018) and will improve processing efficiency, reduce rejects and increase recycling. - Modelling has been undertaken on best option for managing co-mingled recycling issue, with twin stream concluded as best option - Ongoing mgt of Cardiff Organic Waste Treatment contracts (Kelda/ Dwr Cymru) for an Anaerobic Digestion (AD) facility and Open Windrow Composting (OWC) facility to treat source-separated food and green/garden wastes respectively, over a 15 year period - Education taking place across Cardiff with focus on key areas for recycling improvement. - intervention plan developed to move from 58-64% recycling - Glass trial pilot has been completed and reviewed, and funding approved for 19/20 rollout <p>Wider Governance & Compliance:</p> <ul style="list-style-type: none"> - 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. - 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. - Proiect 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) - Senior Management have worked with WG on explaining the current position and the improvements being put in place - Introduction of improvements in weighbridge and data systems holding data on waste movements, to improve data management and ease collation of data. 			<p>Recycling Development:</p> <ul style="list-style-type: none"> - Actions from the Waste & Recycling Strategy 2018-2021 to be part of programme monitoring for meeting recycling targets. - Ongoing In-Cab technology implementation & training - Cabinet Report to consider the outcomes of the Glass pilot and support the recommendation to expand the separate glass collection service to all domestic households in Cardiff - <p>Wider Governance & Compliance:</p> <ul style="list-style-type: none"> - 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 - Work is ongoing 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. - 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 - Ongoing commitment to working with PWC and senior and specialist officers in the Council's accountancy function in relation to landfill tax contingent liability 	
<p>Potential Impact(s)</p>					
<p>Financial</p> <ul style="list-style-type: none"> • penalties and loss of grant support • continuing financial costs to service due to ongoing investigation • accurate measuring, and meeting landfill tax contingent liability <p>Legal & Regulatory</p> <p>Failure to comply with EU recycling waste directive, leading to sanctions, penalties or interventions</p> <p>Strategic/ Reputational</p> <ul style="list-style-type: none"> • reputational consequence with citizens and key stakeholders 					
<p>Type(s) of Impact</p>	<p>Linked Risks</p>			<p>Key Indicators / Measures used to monitor the risk</p>	
<ul style="list-style-type: none"> • Reputational • Legal & Regulatory • Financial 				<ul style="list-style-type: none"> • Monthly monitoring recycling % from waste data flow 	

Increase in Demand (Children's Services)

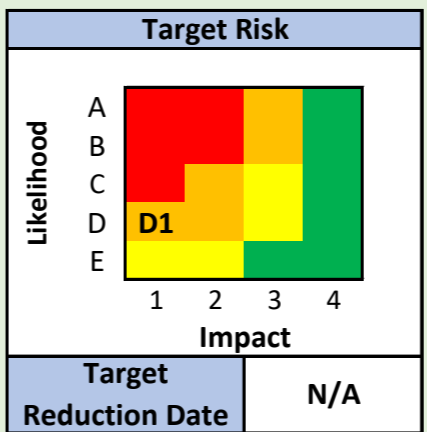
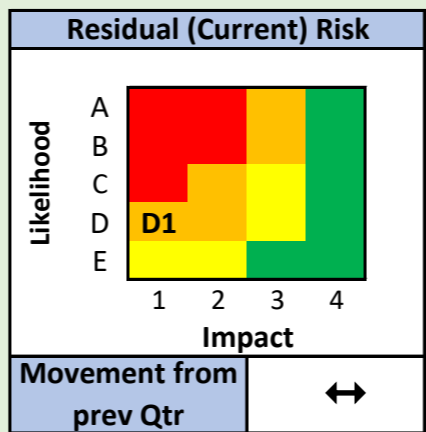
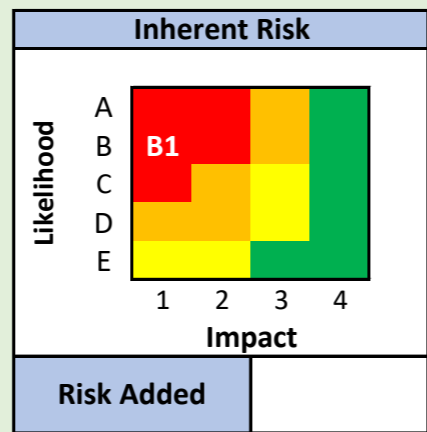
Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)							
<p>Failure to effectively manage demand resulting in increase in number of children looked after and the service and financial pressures this presents.</p>				<p>Sarah McGill</p> <p>Claire Marchant</p>	<p>Councillor Susan Elsmore Social Care, Health & Well-being</p> <p>Councillor Graham Hinchey Children & Families</p>						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Risk Added</td> <td style="width: 50%;"></td> </tr> </table>	Risk Added		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Movement from prev Qtr</td> <td style="width: 50%; text-align: center;">↔</td> </tr> </table>	Movement from prev Qtr	↔	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Target Reduction Date</td> <td style="width: 50%; text-align: center;">N/A</td> </tr> </table>	Target Reduction Date	N/A		
Risk Added											
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Target Reduction Date	N/A										
	What we've done/are currently doing to achieve the Residual Risk Rating			What we plan to do to meet target							
	<ul style="list-style-type: none"> • Early Help Strategy • Cardiff Family Advice and Support Service • Information, Advice and Assistance functions (including Dewis Cymru) • Locality working • Interface Protocol for Children's' Services with Children's Team Around Family (TAF) and Disability Team Around the Family (DTAF) agreed and implemented • Families First / Team Around the Family • Flying Start • Rapid Response Service • Adolescent Resource Centre • Legal tracker • Decision making panels established across the stages of the child's journey • Direct Payments • Young Carers Action Plan • New Families First Services • Families First Services recommissioned • Signs of Safety implementation plan refreshed 			<ul style="list-style-type: none"> • Children's Commissioning Strategy being developed to address placement quality and sufficiency. • Fostering project and residential care projects supporting delivery of the emerging needs from the Commissioning Strategy • Cardiff Family Advice and Support Service progressively implemented from April 2019. • Transformation and ICF proposals developed to enhance services at the edge of care and support proactive improvement. • Partnership arrangements for delivery of Child and Adolescent Mental Health Service (CAMHS) to be reviewed. • Overarching strategy, Improving Outcomes for Children Programme Board and project groups beneath it. <p>DDP 2018/19:</p> <ul style="list-style-type: none"> • 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) • 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) 							
Potential Impact(s) <ul style="list-style-type: none"> • Family breakdown leading to children becoming looked after • Growth in the number of children entering the looked after system and associated costs for the Authority • Insufficient placements to meet need • Children are less likely to achieve their potential and to be fully participating citizens • Life chances for children are reduced • Delays in issuing care proceedings because of existing capacity in both Children's' and Legal Services • Challenges in 'improving outcomes for children 'Challenges in effectively managing Service and financial pressures • Significant increase in demand for residential and foster care placements for LACr resulting in increase in numbers placed outside Cardiff 											
Type(s) of Impact <ul style="list-style-type: none"> • Service Delivery • Reputational • Legal • Financial • Community & Environment • Stakeholder 	Linked Risks			Key Indicators / Measures used to monitor the risk							
				<p>Children's Services:</p> <p>Contacts 1 Number of Contacts / Referrals Received</p> <p>SSWB 24 Percentage of assessments completed for children within statutory timescales</p> <p>CS LAC 3e Number of children looked after</p>							

Business Continuity

Description

Large scale incident/loss affecting the delivery of services.

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.



Risk Owner(s)

Chris Lee

Councillor Huw Thomas
Leader

What we've done/are currently doing to achieve the Residual Risk Rating

- The Council has a BCM Champion who sponsors BCM at a strategic level and is actively supporting the BCM Programme.
- We have an approved Business Continuity Policy which is aligned to ISO22301.
- BCM Intranet web page.
- BCM toolkit is now available on CIS allowing all service managers to develop an appropriate BCM response for their services allowing future effective maintenance and audit. BCM workshops are available from the BC Officer on request.
- The Council has employed a Business Continuity Officer (appointed October 2010). The officer is a qualified ISO22301 lead auditor.
- The Emergency Management Unit has developed an Incident Management Plan (Cardiff Councils Emergency Management Plan) to ensure alignment with ISO22301 this has been distributed to all Directorates.
- The Council has a 24 hour Incident Management structure for Gold and Silver Officers.
- A partnership approach between the Emergency Management Unit and the Corporate Risk Steering Group is helping to raise awareness and drive forward the BCM programme.
- 87 % of our most time sensitive activities (Reds) now have Business Continuity plans which have met, or are going through, audit. Work on the remaining plans is ongoing to close gaps and bring them up to date and in line with the corporate audit requirement
- Cardiff Council is a member of the Core Cities Business Continuity Group and has been for the last 8 years. This membership allows the sharing of best practice and joint initiatives between group members.
- The Business Continuity Officer has been working closely with the procurement section of Resources to ensure that the resilience of suppliers is considered carefully when procuring services which are important to our most time sensitive activities, our Red and Amber activities.
- Internal Audit 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, all the improvement actions are now completed as planned.
- 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.
- Targeted specific actions were undertaken successfully for winter 2018 in order to enhance resilience around our severe weather response capability. Additional actions are planned for winter 2019 to further enhance resilience.
- The Business Continuity Officer supported our Directorates in preparing for the potential impacts around Brexit.

What we plan to do to meet target

- The BC Officer is working closely with Facilities Management to ensure they have effective plans in place to help manage possible business disruptions to our core buildings.
- Work with ICT to ensure our core infrastructure is as resilient as practical to support a resilient and effective delivery of essential ICT services and the effective planning for recovery of critical IT services after an incident that affects our IT.
- The Emergency Management Unit are planning a piece of partnership work with ICT to support areas that provide red activities in assessing the impact the loss of technical services, and ensuring suitable mitigation is in place to make our red services more resilient, where this is possible.
- Work with the teams involved with looking at the potential of using alternative delivery models for council services. Identifying risks associated with alternative delivery models for specific services and recommend potential risk management solutions for implementation, to protect the delivery of our most critical services.
- The Business Continuity Officer is working to develop and enhance individual Directorate response capability to ensure Directorates are in a stronger position to respond to incidents which could impact on the Council and our most time sensitive activities.
- The Business Continuity Officer is proposing working closely with Education and Life Long Learning to support them in developing a school specific Business Continuity Plan template to enhance schools resilience capability.
- 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 1 2019/2020.
- The BC officer is leading a review of 4x4 resources across the council to support our response capability to future winter storms.

Potential Impact(s)

- Health and Safety** – potential impact on staff and on the public relying on our most, time sensitive, critical services.
- Legal action** -Failure of key services could lead to Legal action against the council.
- Financial** - Failure of key services could led to significant financial cost both in terms of Ombudsman action and Enforcement action from regulatory bodies as well as individual legal action against the corporate body where service failure leads to legal action against us from private claimants.
- Reputational** - Impact on key services to the public could lead to significant reputational damage to the organisation.
- Stakeholder** – Impact on key stakeholders as result of failure.
- Service delivery** – Potential significant impact on service delivery to the public, impact of key services could lead to significant impacts to the public and the corporate body un delivering its services.

Type(s) of Impact

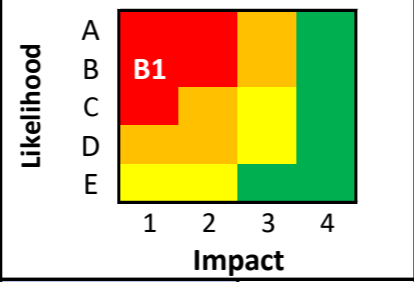
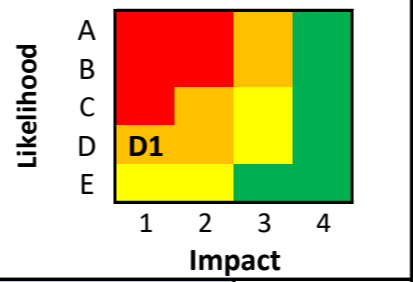
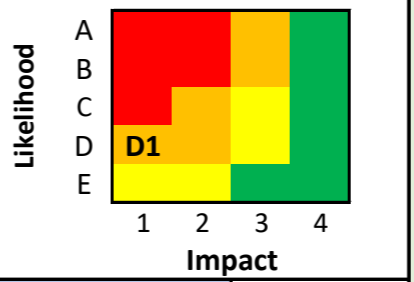
- Service Delivery
- Reputational
- Legal
- Financial
- Health & Safety
- Stakeholder

Linked Risks

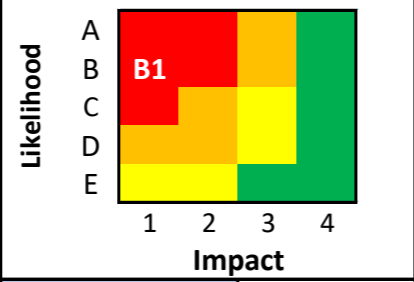
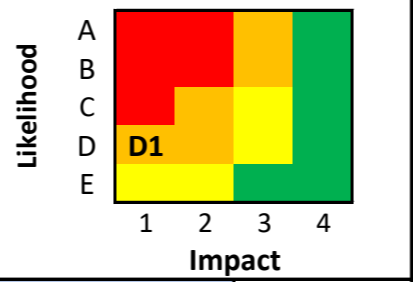
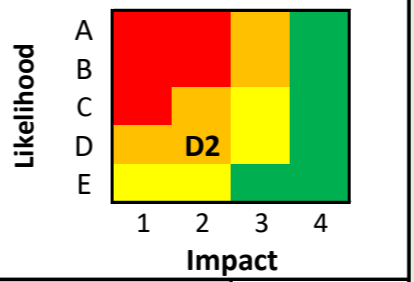
Key Indicators / Measures used to monitor the risk

The Red activity BC plan status is reviewed on a quarterly basis via a report to SMT after the CRR submission. Additionally the risk is managed as part of the Corporate Risk Management process via the CRR returns and the BC risk is also audited by Internal Audit . The last Internal Audit of the Business Continuity Risk was in in 2018.

Safeguarding

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)							
<p>Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners.</p>				<p style="text-align: center;">Sarah McGill</p> <p style="text-align: center;">Claire Marchant</p> <p style="text-align: center;">Davina Fiore</p>	<p style="text-align: center;">Councillor Huw Thomas Leader</p> <p style="text-align: center;">Councillor Susan Elsmore Social Care, Health & Well-being</p> <p style="text-align: center;">Councillor Graham Hinchey Children & Families</p> <p style="text-align: center;">Councillor Chris Weaver Finance, Modernisation and Performance</p>						
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Risk Added											
Movement from prev Qtr	↔										
Target Reduction Date	N/A										
	What we've done/are currently doing to achieve the Residual Risk Rating			What we plan to do to meet target							
	<ul style="list-style-type: none"> Embedding the Social Services & Wellbeing (Wales) Act 2014 in relation to the strengthening of adult safeguarding. Ongoing implementation of the Child Sexual Exploitation Strategy. Raising profile of Adult Sexual Exploitation (ASE) in Adult Services in line with the Child Sexual Exploitation (CSE) Strategy. Review of adult safeguarding undertaken and management strengthened. Systems in place to learn lessons from and address recommendations from child practice reviews, adult practice reviews and multi agency practitioner forums Monthly quality and performance review across all areas of social services Annual Plan for Regional Adults / Childrens Safeguarding Board. SBAR system implementation to understand and address significant risks, including safeguarding risks, in social services Recruitment and retention strategy in place to address children's workforce issues Action plan being delivered to address high caseloads in Children's Services. Refreshed signs of safety action plan in place. Improving Outcomes for all our Children Steering Group chaired by Chief Executive established to oversee performance to improve outcomes for Cardiff's most vulnerable children. Cardiff local operational safeguarding group established to support effective multi-agency safeguarding arrangements across the City, reporting to the Regional Safeguarding Board. 			<ul style="list-style-type: none"> Implementation of revised Corporate Safeguarding Policy and action plan arising from internal audit of corporate safeguarding. Additional investment in corporate safeguarding to address recommendations from internal audit report. Cardiff and Vale Regional Safeguarding Board supporting the All Wales Adult and Child Protection Procedure due for completion by September 2019. 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. Exploitation Strategy being developed to cover wider exploitation issues, including adults. CSE processes being adapted to address wider vulnerability issues, including exploitation, in a multi-agency way. Adult safeguarding improvement plan developed. <p>DDP 2018/19:</p> <ul style="list-style-type: none"> 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) 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) 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) 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) 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) Embed strengthened Adult Protection procedures in consultation with staff and partners by March 2019 to ensure that adults are protected from harm(CP7-AS) Ensure that the Council's Corporate Safeguarding Strategy is implemented (CP17-SS) 							
<p>Potential Impact(s)</p> <ul style="list-style-type: none"> A child/ren or adult/s suffers avoidable significant harm or death. Reputation of Council and partners. Severe adverse publicity. Potential regulator intervention. Loss of confidence by the community in the safety of children and adults. Loss of confidence of staff in the overall "safety" of the service, impacting on morale, recruitment and retention. Potential litigation with associated financial penalties Significant financial implications of formal intervention <p>In addition to the above:</p> <ul style="list-style-type: none"> Being held in contempt of court Imprisonment Unlawful detention of persons Payment of costs/damages Professional reputation of staff Recruitment problems 	Linked Risks			Key Indicators / Measures used to monitor the risk							
<p>Type(s) of Impact</p> <table style="width: 100%;"> <tr> <td style="width: 50%;"> <ul style="list-style-type: none"> Service Delivery Reputational Legal Financial </td> <td style="width: 50%;"> <ul style="list-style-type: none"> Partnership Community & Environment Stakeholder </td> </tr> </table>	<ul style="list-style-type: none"> Service Delivery Reputational Legal Financial 	<ul style="list-style-type: none"> Partnership Community & Environment Stakeholder 				<ul style="list-style-type: none"> Adult Services: SSWB 18 Percentage of adult protection enquiries completed within 7 working days Children's Services: SSWB 24 Percentage of assessments completed for children within statutory timescales SCC.014 Percentage of initial child protection conferences due in the year which were held within 15 working days of the strategy discussion SCC.034 Percentage of child protection reviews carried out within statutory timescales during the year SSWB 27 Percentage of re-registrations of children on local authority Child Protection Registers SSWB 28 Average length of time for all children who were on the CPR during the year 					
<ul style="list-style-type: none"> Service Delivery Reputational Legal Financial 	<ul style="list-style-type: none"> Partnership Community & Environment Stakeholder 										

Climate Change & Energy Security

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<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>				Andrew Gregory	Councillor Michael Michael Clean Streets, Recycling and Environment
<p>Potential Impact(s)</p> <p>Climate change will result in more intense and frequent rainfall events causing flooding, impacting:</p> <ul style="list-style-type: none"> • Loss of life and personal injury; • Direct damage to property, infrastructure and utilities; • Contamination and disease from flood and sewer water and flood on contaminated land; • Increased cost of insurance; • Break up of community and social cohesion; • Blight of land and development. <p>SHORT TERM RISKS</p> <p>Climate change is noted to already be affecting the frequency and intensity of rainfall events, making storm events flashier and increasing the rainfall volume. Our existing drainage network has not been designed to accommodate this increase in rainfall and in the short term, there will be an increase in flood events from urban drainage systems.</p> <p>LONG TERM RISKS</p> <p>The influence of climate change will increase in the future and continue to have a growing influence on rainfall intensity and frequency. The urban drainage network in Cardiff will increasingly underperform and not be able to accommodate the increase in surface water runoff response time and volume from storm events. Storms will become flashier and carry more rainfall.</p> <p>For 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"> • An increase in heat related discomfort, illness and death, increasing pressure on health and emergency services • An increase in demand for limited water supplies • Damage to temperature sensitive infrastructure (transport systems, electrical systems). • Migration of biodiversity. <p>Inconsistent energy supply and cost:</p> <ul style="list-style-type: none"> • Inability to deliver public services • Decrease in economic output • Disruption to the supply of utilities • Increased transport costs • Increased costs for heating / providing services to buildings • Increased fuel poverty 	Risk Added	Movement from prev Qtr	Target Reduction Date	12 mths +	
<p>What we've done/are currently doing to achieve the Residual Risk Rating</p> <p>Emergency Management Unit</p> <ul style="list-style-type: none"> • 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. • Cardiff Area Community Risk Register is developed and reviewed on a regular basis by the Cardiff Area Risk Group. It takes into account changes in the national risk register and how those changes affect Cardiff. • We are engaging internally with The Welfare of Future Generations Act to integrate the community work with the Councils strategy and externally with voluntary organisations such as C3SC to provide training to community groups across Cardiff • Cardiff Council Emergency Management Unit have in place a long term communication strategy in Cardiff in conjunction with multi agency partners highlighting flood awareness alongside other emergency eventualities such as extreme temperatures and how residents, businesses and communities can be aware of the risks in their area and hence better prepare for them should that risk materialise. Cardiff has 5 active community flood plans with others in the planning stage. We have produced a 'Preparing for Emergencies – A Guide for Communities' document which is now available to all agencies and organisations. It provides information on how to prepare, respond and recover from an incident including flooding. The document can be found via the following link; https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Emergency-Planning-and-Resilience/Emergency-Planning-and-Resilience/Pages/default.aspx • 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. • 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. • 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; http://www.wales.nhs.uk/docopen/218909/ <p>Energy Management</p> <ul style="list-style-type: none"> • The Council procures competitive energy contracts through the Crown Commercial Services on a 6 monthly purchasing window for the following 12 month financial year. • Key sites are fitted with back-up generators for emergency backup, specifically for IT systems. • The Carbon reduction Strategy 2022 identifies projects and activities through 4 strands in order to achieve a 35% 					
<p>What we plan to do to meet target</p> <p>Emergency Management Unit</p> <ul style="list-style-type: none"> • To consider flood risks recognised in the Community Risk Register in the Community Planning/Integrated Partnership process. Community resilience workshops continue in high risk areas. <p>Energy Management</p> <ul style="list-style-type: none"> • 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. • Energy security related issues to inform corporate financial systems revised buying and power consumption monitoring arrangements to save money and reduce demand and provide corporate & community planning for Energy City Wide to Business and public sector. • Further guidance to be disseminated to service areas on energy security and energy savings opportunities such as implementation of Carbon Culture, delivering extensive energy invest to save programmes on the Council Estate. • Submit grant application for heat network in Spring 2019 and implement energy efficiency works identified in Re:Fit and Salix projects (targeting June) • Present Lamby Way Solar Farm Final Business Case for Cabinet approval in May 2019 • Present Heat Network Final Business Case for Cabinet approval in Autumn 2019 <p>Flood Management Planning</p> <ul style="list-style-type: none"> • The Surface Water Supplementary Planning Guidance (SPG) is to be reviewed by Select consultants who have been chosen to provide feedback on the document. Comments will be formulated and document updated. <p>Evaluation of historic flood incidents to identify key areas for Flood Alleviation projects. Any proposed schemes will incorporate climate change allowance.</p> <p>Sustainable Development Unit</p> <ul style="list-style-type: none"> • Climate Change is referenced in the Well-Being Assessment and an action included in the Well-Being Plan. • Work to be undertaken with both the Covenant of Mayors and the Compact of Mayors (merging to become the Global Covenant of Mayors for Climate Change) to agree a consistent method of emissions reporting and action planning so as to not duplicate efforts and get maximum benefit from the commitments. 					
<p>Type(s) of Impact</p> <ul style="list-style-type: none"> • Service Delivery • Reputational • Legal • Financial 		<p>Linked Risks</p>		<p>Key Indicators / Measures used to monitor the risk</p> <ul style="list-style-type: none"> • Monthly monitoring recycling % from waste data flow 	
<ul style="list-style-type: none"> • Health & Safety • Partnership • Community & Environment • Stakeholder 					

Delivering Capital Ambition Programme

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<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>				Chris Lee (Dean Thomas)	Councillor Chris Weaver Finance, Modernisation and Performance
	Risk Added	Movement from prev Qtr ↔	Target Reduction Date	6-12 mths	
	What we've done/are currently doing to achieve the Residual Risk Rating			What we plan to do to meet target	
	<ul style="list-style-type: none"> • Governance arrangements established and led by the Chief Executive. The Modernisation component of the Capital Ambition Delivery Programme is led by the Corporate Director Resources; and the Resilient Services component is led by the Corporate Director People and Communities. • Disciplined approach, where risk assessment forms an integral part of the approach to change. • Programmes and projects initiated with dedicated resources. • Experienced gained by managing programmes and projects over a number of years, building on lessons learned. • An extensive training programme for the Capital Ambition Delivery Team was undertaken during 2017/18 to ensure both project management and business analyst's skills and knowledge are enhanced. • Building capacity and capability across the organisation through development opportunities and skills transfer. • Appropriate engagement and stakeholder management, including Trade Union meetings and updates for PRAP, Scrutiny and Internal Audit. • Continued implementation of Programme & Project Management Database to enhance management information and reporting. Investment Review Board review/approve Business Cases and prioritise resources. • SMT acts as the Sponsoring Group and receives regular updates on programme and project progress. All Programme Briefs are submitted to SMT for discussion prior to them being signed off at the relevant programme board. • All Programme Briefs have been signed off by SMT and the relevant programme boards. • Project briefs have been developed for a number of projects within the CADP. • Effective governance arrangements are now in place for the CADP. These arrangements are continually monitored and refined as and when required. 			<p>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.</p> <p>A review of the programme will be undertaken as part of the overall review of Delivering Capital Ambition.</p>	
Potential Impact(s) <ul style="list-style-type: none"> • Failure to deliver the Administration's Capital Ambition statement. • Failure to respond to the key financial and organisational challenges that dominate the medium term planning horizon of the Council. • Vital services will not be protected if we fail to find more efficient ways of working. • Reputational impact if services do not meet increasing customer expectations. • Public services are not delivered efficiently or effectively and fail to deliver joined up services to the public. • Lack of a programme management approach to the delivery of these significant projects will result in lack of governance and failure to report project progress to relevant stakeholders in a timely manner. • Reputational risk with our external regulators if the CADP is not delivering on time and does not have robust governance arrangements in place. 	Type(s) of Impact <ul style="list-style-type: none"> • Service Delivery • Reputational • Legal • Financial 			Linked Risks	
				Key Indicators / Measures used to monitor the risk <p>No key metrics/indicators but robust governance arrangements are in place to monitor the CADP.</p>	

Education Consortium & Attainment

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)	
<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>Nick Batchelar (Janine Nightingale)</p>	<p>Councillor Sarah Merry Deputy Leader & Education, Employment & Skills</p>
	<p>Risk Added</p>	<p>Movement from prev Qtr ↔</p>	<p>Target Reduction Date 6-12 mths</p>		
	What we've done/are currently doing to achieve the Residual Risk Rating			What we plan to do to meet target	
	<ul style="list-style-type: none"> • Results for 2017/18 show that Cardiff schools are performing well across a wide range of performance indicators at all Key Stages. • Outcomes of Estyn inspections and Categorisation outcomes have also improved. • The Council has ensured that the specific functions in relation to schools which are delivered by the Central South Consortium are closely integrated with the range of services and support provided to schools and to learners by the Council directly, recognising that school improvement is an outcome of many different activities, not a discrete activity delivered in isolation. • The Local Authority has strong working relationships with the Senior Primary, Secondary and Special School Challenge Advisers, and systems and processes to secure improved joint service delivery have been put in place. • The Schools Causing Concern processes have been revised. • Cardiff Schools are working with CSC and partners to develop and implement the new curriculum. 			<p>The constituent Councils in the Central South Consortium (CSC) commissioned an external review of the CSC. This will report in May 2019. The Joint Committee of CSC will determine what follow up actions should be taken in light of any recommendations from the report.</p>	
Potential Impact(s)					
<ul style="list-style-type: none"> • Budget implications • Educational standards falling behind other LA's • Potential impact on Estyn judgement for LA • Intervention from WG 					
Type(s) of Impact	Linked Risks			Key Indicators / Measures used to monitor the risk	
<ul style="list-style-type: none"> • Reputational • Legal • Financial 					

Audalen 323

Legal Compliance

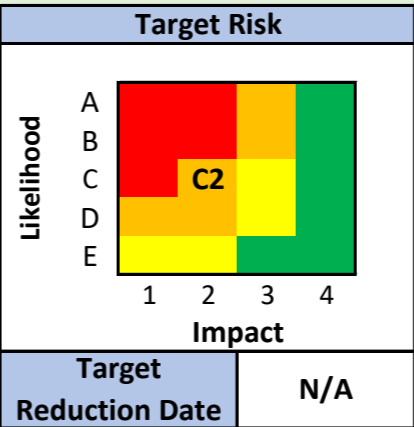
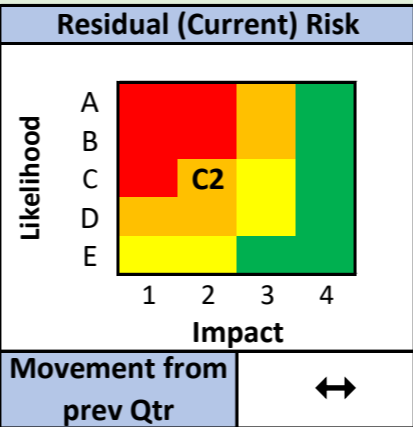
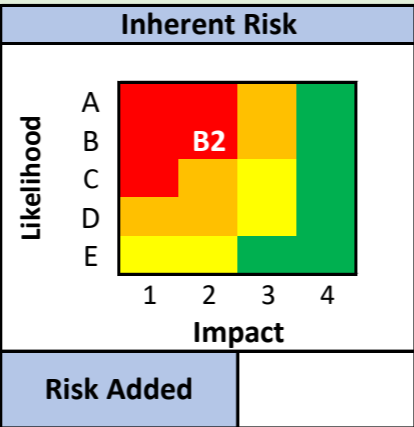
Description

Changes in services and staff roles across the Council resulting in:

- gaps in Council wide knowledge of the local authority framework of responsibilities and duties within which we have to operate;
- inability to deliver the services in accordance with all duties and responsibilities due to lack of resource:

In each case leading to increased risk of challenges.

Reduction and changes in front-line services, discretionary and statutory, will lead to increased risks of challenge from users and other stakeholders affected.



Risk Owner(s)

Davina Fiore

Councillor Huw Thomas
Leader

What we've done/are currently doing to achieve the Residual Risk Rating

- Professional internal legal and financial advice provided to a high standard.
- Maintaining robust decision making process with legal implications on all Council, Cabinet and Committee reports and Officer Decision Reports at Director level.
- Appropriate use of NPS Legal Services by Solicitors Framework to increase resilience.
- Dedicated teams in specialist areas e.g. equalities, FOI / DPA.
- Sharing training/publications received.

What we plan to do to meet target

- Further development of standard precedents with guidance for use in cases of low value/low risk/repetitive matters
- Provide legal training to Directorates to develop knowledge within Directorates of specific statutory functions.
- Encourage Directorates to ensure reports are discussed at preliminary stage in development to ensure all legal issues are addressed early

Potential Impact(s)

- Increase in number of challenges and complaints with consequences in terms of already stretched resources and impact of diverse decisions
- Implementation of decisions delayed due to challenges and potentially fatally disrupted.
- Impact on projects if reputation for sound management and implementation of projects is damaged
- Major incident.
- Adverse press/media reaction
- Involvement from Welsh Government in terms of performance standards or measures.
- Increased costs
- Impact on capacity to deal with proactive legal work

Type(s) of Impact

- Service Delivery
- Reputational
- Legal
- Financial

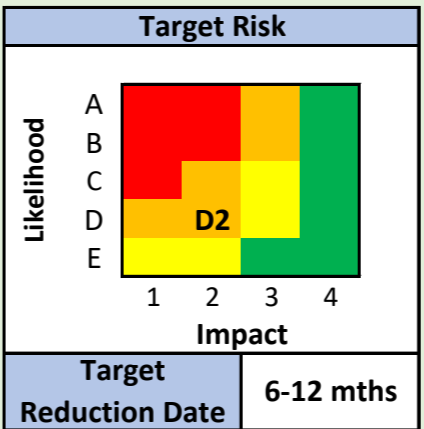
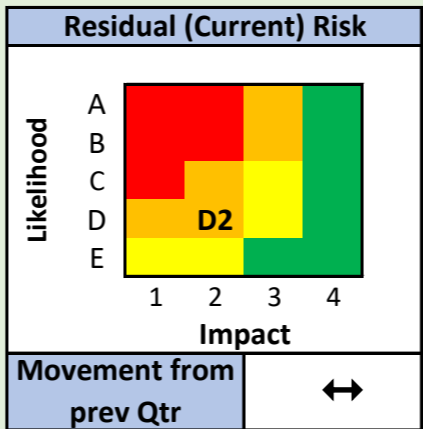
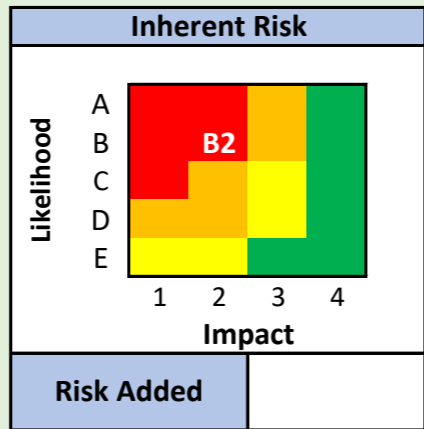
Linked Risks

Key Indicators / Measures used to monitor the risk

Performance Management

Description

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.



Risk Owner(s)

Chris Lee
(Gareth Newell)
should this be Sarah?

Councillor Chris Weaver
Finance, Modernisation and Performance

What we've done/are currently doing to achieve the Residual Risk Rating

- The Council's improved approach to the way it manages its performance was recognised by the Wales Audit Office's follow-on report, but it is also clear there is more work to be done to build on the success achieved so far. A Performance Management programme has been put in place to deliver the required change to address three key areas relating to Reporting, Planning and Challenge.
- The project teams have ensured their work incorporates the requirements of The Well-Being of Future Generations Act 2015, and the managed transitions between the Local Government (Wales) Measure 2009 and the requirements of the new legislation.
- 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.
- Wellbeing objectives have been developed in line with the Corporate Plan development timeline and endorsed by SMT and presented to informal cabinet
- A reporting framework has been developed to allow the right audiences to focus on the right level of detail to better aid decision-making.
- Discussions took place with key representatives to further develop the self-assessment process which will contributed to the development of the Corporate Plan.
- Service Level scorecards were developed across the Council and combine planning and reporting elements. T
- 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
- A Members training session regarding the Performance Management Framework was developed and carried out at the end of the September
- The Performance Management Framework and Strategy has been finalised. A soft launch 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.
- The high level Performance Management Framework documents are available on the Performance Team's Public SharePoint page
- 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.
- Work was undertaken with Comms to align the PMF with the Capital Ambition Branding
- 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.

What we plan to do to meet target

- Ongoing work continues to launch and embed the Performance Management Framework
- Engagement work being undertaken with SMT regarding Performance Management

Potential Impact(s)

- The strategic and corporate level changes do not have the intended impact because they are not fully embedded in operational practices.
- Council unable to accelerate performance improvement as planned/desired.

Type(s) of Impact

- Service Delivery
- Reputational
- Stakeholder

Linked Risks

Key Indicators / Measures used to monitor the risk

Valen 325

Fraud, Bribery & Corruption

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)							
<p>Fraud, financial impropriety or improper business practices increase as internal controls are weakened as resources become severely stretched.</p>				<p>Chris Lee</p>	<p style="text-align: center;">Councillor Chris Weaver Finance, Modernisation and Performance</p>						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Risk Added</td> <td style="width: 50%;"></td> </tr> </table>	Risk Added		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Movement from prev Qtr</td> <td style="width: 50%; text-align: center;">↔</td> </tr> </table>	Movement from prev Qtr	↔	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Target Reduction Date</td> <td style="width: 50%; text-align: center;">N/A</td> </tr> </table>	Target Reduction Date	N/A		
Risk Added											
Movement from prev Qtr	↔										
Target Reduction Date	N/A										
	What we've done/are currently doing to achieve the Residual Risk Rating			What we plan to do to meet target							
	<ul style="list-style-type: none"> The Council communicates a zero tolerance approach to fraud, bribery and corruption Regular review of relevant policies and procedures e.g. the Fraud, Bribery and Corruption Policy, Money Laundering Policy and Disciplinary Policy Financial Procedure Rules and Contract Standing Orders and Procurement Rules and training Work on the National Fraud Initiative exercises in collaboration with the Cabinet Office and Wales Audit Office Receipt and dissemination of fraud intelligence alerts from law enforcement agencies Regular reports to the Section 151 Officer and Audit Committee and the Chief Executive Audit Committee review of the risk management, internal control and corporate governance arrangements of the authority Independent assurance from Internal and External Audit on the effectiveness of governance, risk and control Ongoing delivery of briefings to Schools on fraud and control risks Cardiff Manager Programme includes session on risk management and compliance / control. Provision of disciplinary management information on DigiGov Mandatory disciplinary e-learning module for all managers to complete and a programme of mandatory e-learning modules and face-to-face training for Disciplinary Hearing Chairs, Investigating Officers and Presenting Officers 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 			<p>Draft Counter-Fraud and Corruption Strategy for Cabinet in July, to be followed by:</p> <ul style="list-style-type: none"> participation in International Fraud Awareness week in November 2019 roll-out mandatory counter-fraud eLearning across the Council, to commence in July 2019 <p>Investigation Team to:</p> <ul style="list-style-type: none"> review the Council's Money Laundering Policy in quarter 1 2019 review the SMAS responses from senior management in respect of fraud assurance and provide advice and guidance to support strong assurance 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 review and use the management information produced by HR in respect to the Disciplinary Policy 							
<p>Potential Impact(s)</p> <ul style="list-style-type: none"> Increase in frauds and losses to the Council Reputational risk as more frauds are reported Increased time investigating suspected fraud cases impacting on capacity 											
<p>Type(s) of Impact</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"> <ul style="list-style-type: none"> Service Delivery Reputational Legal Financial </td> <td style="width: 50%;"> <ul style="list-style-type: none"> Stakeholder </td> </tr> </table>	<ul style="list-style-type: none"> Service Delivery Reputational Legal Financial 	<ul style="list-style-type: none"> Stakeholder 	Linked Risks								
<ul style="list-style-type: none"> Service Delivery Reputational Legal Financial 	<ul style="list-style-type: none"> Stakeholder 										
				Key Indicators / Measures used to monitor the risk							
				<ul style="list-style-type: none"> Adherence to the NFI Security Policy and annual completion of compliance forms Mandatory eLearning completion rates Delivery of Fraud Awareness week campaign Delivery of Policy updates Delivery of mandatory investigating officer training and the note taker training Criminal investigations conducted on behalf of Directorates Provision of timely investigation advice, guidance and support to Directorates as required 							

Totalen 326

Workforce Planning

Description	Inherent Risk	Residual (Current) Risk	Target Risk	Risk Owner(s)							
<p>Importance of forecasting and planning to build capability and capacity for the future is not fully recognised and embedded.</p>				<p>Chris Lee (Philip Lenz)</p>	<p>Councillor Chris Weaver Finance, Modernisation and Performance</p>						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Risk Added</td> <td></td> </tr> </table>	Risk Added		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Movement from prev Qtr</td> <td style="text-align: center;">↓</td> </tr> </table>	Movement from prev Qtr	↓	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Target Reduction Date</td> <td style="text-align: center;">N/A</td> </tr> </table>	Target Reduction Date	N/A		
Risk Added											
Movement from prev Qtr	↓										
Target Reduction Date	N/A										
	What we've done/are currently doing to achieve the Residual Risk Rating			What we plan to do to meet target							
	<ul style="list-style-type: none"> Workforce Strategy developed and agreed by Cabinet in April 2015 and programme developed to encompass a number of projects relating to the requirements around this risk, including Workforce planning, Learning & Development, PPDR review and Employee Voice. The Workforce planning project has a completed project brief identifying a number of key outputs Workforce planning dashboard data provided to each Directorate to inform Directorate Delivery Planning discussions and development. Research and benchmarking undertaken to help inform WFP approach going forward; including – attendance at WLGA – Work Force Planning Wales event - LGA/ Skills for Local Government hosted COP event. HR working with Directorates where required, to help identify appropriate strategies to support their WFP agenda. Children's Services have developed a Workforce Strategy for their area which is being reviewed on a regular basis. Resources have held a workshop which focussed on Professional and Technical areas to inform the key skills required for the Directorate going forward. Work has taken place with Cardiff and Vale College to roll out an Essential Skills diagnostic tool to frontline employees through Commercial Services A programme of NVQ study is been discussed with Cardiff & vale College and Commercial Services are coming forward with cohorts of employees to attend. Employee surveys carried out to identify areas where further employee engagement / development can be focused. Work has been carried out with WLGA and WAO to look at a Wales wide workforce planning process for use within Local Authorities. Project brief for Workforce Planning provides full details of milestones and implementation dates. A review of the courses provided by the Cardiff Academy has taken place to ensure that these meet the skills requirements for the future. Workforce planning tool kit has been rolled out to pilot areas and workshops taking place between May and September 2017. Feedback from pilots has been received and allowed for the toolkit to be reviewed. Full rollout of Workforce planning toolkit took place place in 2018/19. .All Directorates completed workforce plans by December 2018 and are now working on the actions therein. A corporate process is in place for workforce plans to be updated by end of June each year as part of the business planning process The workforce plans forecast and plan to build capacity and capability for future requirements and the process is now embedded into the corporate planning process 			<ul style="list-style-type: none"> The Council is reviewing its resourcing strategies to ensure that it is a considered employer for young people leaving school, college and universities. 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 Work is taking place to identify areas where the employee group is not representative of the communities and actions identified of what could be done to improve this Actions being taken to improve the accessibility to Welsh language either through the recruitment process or through the training and development of current employees Development to take place of a corporately agreed skills set for the future delivery of services so that all employees and posts can be measured against this skill set to identify learning and development gaps Workforce planning now embedded into the corporate planning process 							
Potential Impact(s)											
<ul style="list-style-type: none"> Poor service delivery due to ineffective use of resources. Lack of resources with the knowledge and skills the Council requires for future delivery Loss of resources and recruitment problems. Poor morale Loss of experienced staff members including managers Reduce the likelihood of attracting high calibre managers to Cardiff Council Risk of not meeting statutory and legislative requirements in relation to specific workforce requirement e.g. social care. Risk of workforce not representing the communities to which services are delivered. 											
Type(s) of Impact	Linked Risks			Key Indicators / Measures used to monitor the risk							
<ul style="list-style-type: none"> Service Delivery Reputational Financial Stakeholder 											

Mae'r dudalen hon yn wag yn fwiadol

Cardiff Council

Work Programme update including 2019-20 Audit Plan update

Performance Audit work

Tudalen 329

2018-19 Performance Audit Work	Scope	Status
Annual Improvement Report (AIR)	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'	Issue draft expected July 2019
Leisure	As part of our 'delivering for less' programme we will follow up progress made by the Council in implementing our proposals for improvement from our 2015 Leisure report.	This piece of work has been amalgamated into our 2019-20 WFG examination since we propose to look at leisure as a focus for our work.
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Examination of the extent to which the Council has acted in accordance with the sustainable development principles when taking the following step: "Develop and launch a new Transport and Clean Air Vision for the City" which sits under the Council's Well-being objective of 'Cardiff grows in a resilient way'.	Drafting report awaiting action plan from Council by 17 th June 2019
Environmental health	Review of the arrangements the Council has put in place to deliver environmental health services building on the study previously undertaken by the	Underway. Review being delivered by Grant Thornton.

	Auditor General as part of the 'delivering with less' themed studies. The review will seek to answer the question: Is the Council's environmental health service continuing to deliver its statutory obligations given the financial challenges?	
Corporate safeguarding arrangements	Review of the effectiveness of corporate safeguarding arrangements building on the study previously undertaken by the Auditor General in this area.	Underway
2019-20 Performance Audit Work	Scope	Status
Improvement Plan audit	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to publish a self-assessment of performance in the previous year by 31 October.	Final Certificate issued 11 th April 2019
Performance audit	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to set improvement objectives.	Final Certificate 29 th November 2019
Annual Improvement Report (AIR)	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'	June/July 2020
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.	Underway

<p>Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations</p>	<p>Examination of the extent to which the Council has acted in accordance with the sustainable development principle when taking steps to meet the following wellbeing objective. The focus of the review will be on:</p> <ul style="list-style-type: none"> • the Council’s Capital Ambition Priority 1: Working for Cardiff and • the Well-being Objective 1.4 Safe confident and empowered communities. • Priority for 2019-20 is to Support Sports, Leisure, Culture and Green Spaces. 	<p>Fieldwork about to commence</p>
<p>Financial Sustainability</p>	<p>A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges.</p>	<p>Planning.</p>
<p>Waste Management/recycling</p>	<p>A project to look at the pressures in this area and understand the Council’s plans to improve performance.</p>	<p>Planning</p>
<p>Social Services budget and cost pressures</p>	<p>A project to look at social services budgetary and cost pressures.</p>	<p>Planning</p>
<p>2018-19 Local Government Studies</p>	<p>Scope</p>	<p>Status</p>
<p>First point of contact assessments under the Social Services and Well-being (Wales) Act 2014</p>	<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</p>	<p>Underway</p>

	<p>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>	
<p>Tackling violence against women, domestic abuse and sexual violence</p>	<p>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.</p> <p>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</p>	<p>Underway</p>
<p>Planning Services: Improving the wellbeing of Wales</p>	<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</p>	<p>Published Report</p>

	<p>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>	
2019-20 Local Government Studies	Scope	Status
Review of Public Service Boards and the effectiveness of partnership working	<p>This review will provide assurance and insight on how well PSBs are delivering the expectations of the Well-being of Future Generations Act, and by working together in tackling complex hard to shift problems. This includes examining the practicalities of joint working, what resources are being used, whether current arrangements are fit for purpose, and what needs to change.</p> <p>This review will also allow us to identify how decisions are communicated to partners and the public and whether decisions are transparent to help build a picture of how relationships work in reality.</p> <p>We will undertake fieldwork looking at how partners recognise and deal with problems of rough sleeping including public and voluntary bodies in three areas – Cardiff, Swansea and Wrexham.</p>	Underway
The impact of austerity on discretionary services in local government	<p>The focus of the study is to provide independent assurance by looking at councils approaches to sustaining discretionary services and identify if councils are ensuring changes in provision or cessation of activity do not adversely impact future generations or those with protected characteristics.</p>	Planning

	<p>The study will provide insight on an issue that is much talked about but not well evidenced and provides us with a good opportunity to comment on services which are much valued by citizens across Wales. The review will take a strong focus on risk management and consider how well councils manage the transition from direct service providers towards a different role based on what will be affordable in the future.</p>	
<p>Commercialisation in local government</p>	<p>Our review will focus on producing good practice case studies and support materials to help authorities develop their approaches to commercialisation. This will cover the key building blocks required to effectively manage commercialisation.</p> <p>The study will comment on long-term approaches to financial sustainability and how commercial activity supports organisations to deliver their wider wellbeing objectives and corporate priorities. Given commercialisation should have a strong ethical focus we are likely to touch on equality issues and we will provide a commentary on how public bodies collectively are responding to ensuring fairness and accountability for commercial ventures.</p>	<p>Planning</p>

National Studies	Update and link to report
Improving the well-being of young people	Underway
Primary care services	Published April 2018. Link to published report
Integrated care fund	Underway
Reflecting on Year One – Well-being of Future Generations Act	Published 10 th May 2018 LINK
Waste management	Recycling module (published Link); waste prevention (published Link) and waste treatment infrastructure modules (published Link)
NHS Wales informatics services	Published 10 January 2018. Link to published report
Access to public services with the support of specialist interpretation and translation	Published 25 April 2018. Link to published report
Early intervention and public behaviour change	Drafting
Welsh Government business finance	Publish 29 th November 2018
Managing the Impact of Brexit on the Rural Development Programme	Published November 28 th November 2018 Link
European Structural Funds Programme 2014-2020	Published August 2018 Link

Mae'r dudalen hon yn wag yn fwriadol



CARDIFF COUNCIL CYNGOR CAERDYDD

AUDIT COMMITTEE:

25 JUNE 2019

TREASURY PERFORMANCE REPORT – POSITION AT 31 MAY 2019

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 11.1

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

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices.
2. This report has been prepared to provide Audit Committee Members with performance information and a position statement on Treasury Management as at 31 May 2019.

Background

3. Appendix 1 provides the Committee with position statements on investments and borrowing at 31 May 2019.

Performance

4. At 31 May 2019, investments total £107.9million. The budgeted level of interest receivable from treasury investments is £425,000 with this forecast for the year to be updated at Month 4 Budget Monitoring.
5. Borrowing is £720.4 million, with the average rate being 4.54%. The total interest forecast to be payable is shown as that initially budgeted, £32.6 million and includes interest payable by the Housing Revenue Account.
6. The budgeted level of internal borrowing at 31 March 2020 is £80 million. The projections for this and interest will be updated at Month 4 Monitoring to reflect assumptions re external borrowing that may be undertaken in 2019/20.

Investments

7. 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.
8. The current investments list details each investment, the interest rate, the start date and maturity date. They also link this back to the credit criteria approved by Council in February 2019 by a colour coding which indicates the perceived strength of the organisation.
9. The balance of investments is at a point in time and will fluctuate depending on the timing of income and expenditure e.g. payments to suppliers, receipt of grants, capital receipts etc.
10. The charts that surround this table provide additional information and the key areas to highlight are shown below.
 - **Counterparty Exposure** displays actual investment against the maximum permitted directly with an organisation. It should be noted that Coventry Building Society will be removed from the lending list on maturity of deposits.
 - **Remaining Maturity Profile of Investments.** Maturities of investments have been spread to achieve a balanced profile.
 - **Investments by Institution.** This expresses the investments held with different institutions as a percentage of the total. It can be seen that investments remain diversified over a number of organisations.
 - **Geographic Spread of Investments** as determined by the country of origin of relevant organisations. All countries are rated AA and above as per our approved criteria.
 - **Investments by Financial Sector.** The majority of investments are with banks.

Borrowing

11. Since the last report for February 2019 a further £13.2 million of borrowing has been undertaken in 2018/19 and £1.5 of Salix loans and Welsh Government loans have been repaid.
12. 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.
13. The timing and quantum of any new external borrowing will be considered in conjunction with the Council's treasury advisors, having regard to forecasts for interest rates and performance in delivering the capital programme. Updates would be provided in future reports to Committee.

Reason for Report

14. To provide Audit Committee Members with a performance position statement at 31 May 2019.

Legal Implications

15. No direct legal implications arise from this report.

Financial Implications

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

RECOMMENDATIONS

17. That the Treasury Performance Report for 31 May 2019 be noted.

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES
18 June 2019

The following appendix is attached
Appendix 1 – Cardiff Council Treasury Management Performance Report – 31 May 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: 25 June 2019

INTERNAL AUDIT STRATEGY & PROGRESS REPORT

REPORT OF THE AUDIT MANAGER

AGENDA ITEM: 12.1

Appendices D, E and F 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. To document the strategic intentions of the Internal Audit Service for planning and delivery in accordance with Standard 2010 (Planning), an Internal Audit Strategy has been developed, and is included for Audit Committee consideration.
3. A progress report has been prepared to provide Audit Committee Members with an update on the work of Internal Audit as at 31 May 2019 for the current financial year.

Background

4. The PSIAS Standard 2010 (Planning) requires that the risk-based plan is linked to or incorporates a high-level statement of how the internal audit service will be delivered and developed in accordance with the Audit Charter, and how it links to organisational objectives and priorities. The Audit Strategy has been developed by the Audit Manager to link to the Audit Charter and Audit Plan.
5. The annual plan was agreed by Audit Committee at its meeting of 2 April 2019 and was designed to be risk-based and co-ordinated in application of the "three lines of defence" model. 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.
6. The Internal Audit section reports to the Audit Manager. 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. There have been no impairments of independence or objectivity.

Issues

7. The accompanying Strategy (**Annex 1**) provides focal point of strategic intentions in delivering and developing a portfolio of audit engagements. It also seeks to inform those relying on the work and assurances of the Internal Audit Team of the audit purpose, processes, delivery mechanisms and oversight.
8. The Internal Audit Progress Update (**Annex 2**) sets out performance in relation to the Internal Audit Plan, for the period to 31 May 2019. It summarises the work performed, the priority recommendations raised, the critical findings, emerging trends, and relevant value for money findings across the Council for the assurance of the Audit Committee.

Audit Strategy

9. The Audit Committee approved the Audit Charter and Audit Plan on 2 April 2019 for the financial year 2019/20. A brief strategic statement was included within the covering report, in accordance with Standard 2010 (Planning), to document how the internal audit service would be delivered and developed in accordance with the Audit Charter, and how it linked to organisational objectives and priorities.
10. The Audit Manager has developed the existing strategic intentions and approach into a short and sharp Audit Strategy (Annex 1). This will provide a focus for the Audit Management Team in planning and delivering audit engagements, for auditors when performing individual audit engagements, and a means to communicate the objectives of the Internal Audit service, beyond the definitions of roles, responsibilities and authority within the Audit Charter. The Audit Strategy has been discussed with the Chief Executive and Section 151 Officer, and is being communicated with Directors through Relationship Manager Meetings.
11. The Audit Strategy has been developed to set out the aims and objectives for the Internal Audit Service as a whole, comprising the Internal Audit and Investigation Teams. This is to provide a co-ordinated delivery of audit and investigative services through the separate disciplines of risk-based and objective assurance, advice and insight and proactive and reactive work to prevent and detect fraud.

Audit Progress

12. The accompanying Internal Audit Progress Report (Annex 2) outlines the performance of the Internal Audit Team against the Audit Plan for the period up to 31 May 2019, as set out in paragraph 8. It provides a range of information on the work performed and findings, as well as indicators and information on the performance of the audit service.

Audit Delivery

13. **Appendix A (Annex 2)** shows a list of audits and their reporting status in the current year until the end of May 2019. This includes all reports finalised since April 2019, and all new and existing draft reports as at 31st May 2019. Twenty new audit reports have been issued in the reporting period, and eleven further reports have been concluded and finalised. The Audit Manager has identified eight areas (12 audits) which are being targeted for draft audit delivery by the end of the quarter to deliver the audit plan

performance target. Internal Audit has issued an opinion of effective or effective with opportunity for improvement in 75% of the audit opinions provided.

14. **Appendix B (Annex 2)** contains the audit plan as at 31st May 2019. At the time the original plan was agreed in April 2019, whilst many individual audit engagements were fully itemised, some time was allocated for particular audit areas for which the specific audit subject or nature was to be confirmed at a later date. Many of these initial allocations have now crystallised into specific audit engagements, through further review and discussion with senior officers. The new audit engagements are shown in bold within Appendix B, for Audit Committee to consider. Appendix B also details the reporting progress for each audit.
15. Aside from the above refinement of the plan, the Audit Manager has agreed that two new unplanned audit engagements will be undertaken. These are in respect of an audit of the 'Out of School Club' and 'Governors Fund' of St. Peter's R.C Primary School, upon request of the School's Governing Body, and an audit of the 'Rumourless Cities' European grant.

Audit Findings and Recommendations

16. Section 2.3 of Annex 2 provides details of the critical findings and emerging trends from audit work in quarter one as at 31 May 2019, with focus given to unsatisfactory and insufficient with major improvement audit assurance. Aside from the executive summary report, as referenced in paragraph 18.
 - A follow up draft report for the Music Service income processes, has reported unsatisfactory assurance, in view of a limited change in the level of overall control, with only two recommendations actioned and high levels of outstanding income, in excess of £300k (over 40% of the parents using the Music Service).
 - A review of P-cards in Central Transport Services (CTS) has provided an assurance rating of insufficient with major improvement needed. In view of inconsistent practices and gaps in control, the draft report has recommended CTS review their P-card requirements and create function specific guidance for the officers who use P-cards, to achieve the required procedural improvements.
 - An audit of Ysgol Gymraeg Glantaf has been issued and finalised, for which an audit opinion of insufficient with major improvement was provided. The school needed to improve and formalise certain governance matters of disclosure, authority and training, and update and amend processes and practices relating to income recording and security, hire agreements and the operation of the school private fund audit.
17. Section 2.4 of Annex 2 provides the pertinent value for money findings over the reporting period. The three value for money reviews completed over the reporting period have provided a broadly effective level of assurance. This is in respect of audits of 'Consultancy, Interim and Agency Workers', 'Personal Review' and 'Sickness Absence' audits. The finalised audit of St. Peter's R.C Primary has raised control issues, which limits assurance that effective and efficient practices are in place.
18. **Appendix C (Annex 2)** provides an Executive Summary of the findings of an audit of St. Peter's RC Primary School. The governance of the Out of School Club (OSC) required clear communication, and full documentation of any links to, and responsibilities of, the School or its Governing Body. The report also 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.

19. The recommendations and progress at the reporting date are provided in the following appendices.

Appendix D (Annex 2)	Contains the red and red / amber recommendations not yet complete.
Appendix E (Annex 2)	Contains the red and red / amber recommendations completed since the last Audit Committee in April 2019.
Appendix F (Annex 2)	Contains the open red and red / amber recommendations with revised action dates.

Legal Implications

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

Financial Implications

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

RECOMMENDATIONS

22. That the Audit Committee:

- Note and consider the Internal Audit Strategy
- Note and consider the contents of the Progress Report and appended documents.
- Approve the crystallisation of audit time into the new audit engagements shown in bold in Appendix B, and note the two added audit engagements since the last Committee meeting.

CHRIS PYKE
AUDIT MANAGER
 25 June 2019

The following are attached:

- Annex 1:** Audit Strategy
- Annex 2:** Internal Audit Progress Report.
- Appendix A: Report Status in Quarter 1
- Appendix B: Audit Plan as at 31 May 2019
- Appendix C: Executive Summary – St. Peter’s RC Primary School
- Appendix D: Red & red / amber open recommendations
- Appendix E: Red & red / amber recommendations completed since last Committee
- Appendix F: Red & red / amber open recommendations with revised action dates

This following strategic statement seeks to inform those relying on the work and assurances of the Internal Audit Team. It references, but avoids duplicating the content of core documents, namely the Internal Audit Charter (and its appendices) and the Audit Protocol.

Strategic Intentions

The Strategic intentions of the Internal Audit Service are:

- Enhance and protect organisation value through risk based and objective assurance, advice and insight
- Be recognised as a leading provider of audit and investigative services, based on achieving a high standard of professionalism and expertise in service delivery.
- Deliver audit services in accordance with the Public Sector Internal Audit Standards.
- Deliver a plan of assurance audit engagements, which are sufficient to publish an Audit Manager annual opinion on the Council's control environment.
- Deliver value by aligning the Audit Plan to the Council's strategies, objectives and risks, and through delivering robust audit assurance and support.
- Support managers to develop and maintain a culture in which fraud, bribery and corruption are understood across the organisation as unacceptable.
- Develop and maintain a strong knowledge, skills and expertise within Audit Teams.

Vision and Mission

Our purpose is to enhance and protect organisation value by providing risk based and objective assurance, advice and insight. We aim to be recognised as a leading provider of audit and investigative services, based on achieving a high standard of professionalism and expertise in service delivery.

Audit Charter

The Internal Audit Charter establishes the position of Internal Audit within the organisation, the Audit Manager's functional reporting relationship with the Audit Committee, rights of access, and the scope of our internal audit services.

It also states how we deliver audit services in accordance with the Public Sector Internal Audit Standards (PSIAS), encompassing the mandatory elements of the International Professional Practices Framework ('Definition of Internal Audit', 'Core Principles', 'Standards' and 'Code of Ethics').

The Internal Audit Plan

Purpose

A primary requirement of the Audit Team is to deliver a plan of assurance audit engagements, which are sufficient to publish an Audit Manager annual opinion on the Council's control environment, comprising governance, risk management and control. We also provide core assurance to the Section 151 Officer and the Audit Committee relevant to their respective responsibilities.

We also provide consulting or advisory services, generally at the request of Management for independent insight and guidance on areas of control during process development / change. We aim to deliver value by aligning the Audit Plan to the Council's strategies, objectives and risks, and through delivering robust audit assurance and support

The Investigation Team performs a range of proactive and reactive work in order to prevent and detect fraud. We support managers to develop and maintain a culture in which fraud, bribery and corruption are understood across the organisation as unacceptable, for which firm action is and will be taken to prevent and detect fraud loss, bring fraudsters to account quickly and efficiently, and to recover any losses.

The first line of defence is the internal control environment within each directorate, in which there needs to be a culture of accountability, a zero tolerance to fraud, supported by a robust application of controls.

Process

Our risk-based Internal Audit Plan is prepared annually and is subject to continual review throughout the year, and adjusted as necessary in response to changes in risks, programmes, systems and controls, and the work and findings of other assurance providers.

Our audit plan will align to the strategies, objectives and risks of the Council, with audit engagements prioritised for delivery through assurance mapping in application of the 'three lines of defence' model, and a process of co-ordination and reliance, to account for relevant wider sources of assurance in the timing and focus of planned audits.

We will obtain the information to develop our plan through:

- Regular engagement with the Chief Executive, Section 151 Officer and Directors.
- Audit Manager attendance at Assurance Senior Management Team meetings.
- Monitoring Council activity, strategy, risks, assurance / inspection / regulatory reports.
- Regular meetings with the Wales Audit Office to discuss and co-ordinate work.

We plan to undertake fundamental audits (of core financial systems) every other year. A fundamental audit may take place in an intervening year in response to audit intelligence / assurance. In order to continue to rely on the Council's assurance framework, we will plan to undertake an audit of Risk Management on an annual basis.

The investigation Team will gather best practice information and intelligence through networking, investigate referrals to an appropriate outcome, engage with the Wales Audit Office and Cabinet Office in undertaking data matching exercises to identify and review potential frauds and irregularities, and lead the Council's counter-fraud agenda. The Team

will offer support, advice and assistance on all matters of fraud risks including prevention, detection, money laundering, other criminal activity, deterrent measures, and policies and procedures.

Delivery

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 Audit Charter.

The Counter-Fraud Plan will be delivered by the Investigation Team, and resources will be monitored and managed in order to deliver the targets and objectives set.

The Audit Manager will inform the Audit Committee and Section 151 Officer if there are insufficient resources available to effectively deliver the Internal Audit Service.

We will follow up all audit recommendations, with client evidence required to the satisfaction of the lead auditor, for the closure of any 'red' or 'red/amber' rated recommendations.

Internal Audit Development

The quality assurance and improvement programme (QAIP) within the Audit Charter summarises our performance management approach, at individual auditor and team levels. This approach provides ongoing, annual review and 5-yearly external assessment for reporting ongoing conformance with the PSIAS.

The Audit Manager will continually monitor the knowledge skills and other attributes necessary to deliver the audit plan each year. All operational auditors will undertake a skills assessment annually and professional development and training will be allocated accordingly.

Oversight Reporting for Internal Audit Activity

In each Audit Committee Meeting, the Audit Manager will report on Internal Audit Service performance and PSIAS conformance, and will provide critical information on the progress against the Internal Audit and Investigation Team Plans, and the core findings.

An executive summary of any unsatisfactory audit reports will be provided to Audit Committee and the Portfolio Cabinet Member once the audit is finalised.

The Audit Manager will produce an Annual Report, which will principally include

- An annual opinion on the framework for governance, risk management and control
- A summary of the Internal Audit work completed from which the opinion is derived
- The results of an annual review of the performance of the Internal Audit Team against the QAIP and conformance with the PSIAS.

A separate Annual Report will be prepared for the Investigation Team, outlining the work completed, its impact, the progress against the work plan, and actions for the next year.

Chris Pyke - Audit Manager, Cardiff Council.

Mae'r dudalen hon yn wag yn fwriadol



Resources Directorate Internal Audit Section



Internal Audit Progress Report (as at 31st May 2019)

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Prepared by: Chris Pyke, Audit Manager

INTERNAL AUDIT PROGRESS REPORT

1. INTRODUCTION

1.1 Background

The Internal Audit plan for 2019/20 was approved by the Audit Committee at its meeting in April 2019. 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 2019/20 is made up of a total of 2,706 days, with a total of 1,990 chargeable days for the audit team being agreed. This report serves to provide an update on progress against the plan to the end of May 2019.

1.2 Independence and objectivity

The Internal Audit section reports to the Audit Manager. 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. There have been no impairments of independence or objectivity.

1.3 Continuing Professional Development

The Personal Reviews of performance during 2018/19 were completed by the end of May 2019. The Personal Review process enabled each member of the audit service to discuss progress against agreed objectives, and to consider and agree their overall performance for the year.

Prior to discussing performance, each auditor completed a skills assessment in application of the IIA Professional Competencies Framework. The results have informed both the Personal Review process, and the annual internal Audit Manager review against the Quality Assurance and Improvement Programme (Standard 1300), from which a generally strong baseline of knowledge and skills are held across the audit team.

The new objectives for 2019/20 are being discussed with the members of the team and will be agreed by the Council's deadline of the end of June.

2. SUMMARY OF WORK PERFORMED

2.1 Current Activities

The report to Audit Committee in April 2019 set the scene for audit coverage for the year and the planned assignments have been set up in the audit planning, monitoring and control database. Priority has been given to any audits planned for 2018/19 but not completed during that year.

All Auditors have continued to be allocated at least three months' work in advance, with an expectation that their assignments will be effectively managed and delivered. This approach focuses on outcomes, improving performance and the timeliness of reporting.

Appendix A shows a list of audits and their reporting status in the current year until the end of May 2019. The listing will include all reports finalised since April 2019, and all new and existing draft reports as at 31st May 2019.

The table below shows audit outputs separated into those which are new, meaning that a draft report had not been issued in the prior year, and those which were at draft status in 2018/19, but have since been finalised.

Figure 1. Audit outputs in 2019/20 (at 31st May 2019)

	Audit	Status as at 31.05.19
NEW Audit Outputs		
1	Audit of ethics and values – Gifts and Hospitality	Draft reports issued
2	Value for Money – Agency workers, interims and consultants	
3	Education – Income Processes	
4	Housing Rents	
5	Music Service – income review follow up	
6	Payroll – In-year testing	
7	Regional Partnership Board	
8	Resources – Budgeting and forecasting	
9	Personal Review Process	
10	Storey Arms	
11	P-Cards Central Transport Services (CTS)	
12	Bulky Waste	
13	Responsive Repairs	

14	Joint Committees - Prosiect Gwyrdd	Final report issued
15	Joint Committees – Port Health Authority	
16	Joint Committees - Glamorgan Archives	
17	Cardiff Further Education Trust Fund	
18	Payroll – CRSA	CRSA completed
19	Contract guidance for schools	Guidance developed
20	Counter-fraud in schools - CRSA development	CRSA developed
Concluded Reports from the prior year at 31.5.19		
21	Atebion Solutions	Final report issued
22	Risk management arrangements	
23	Sickness absence processes	
24	County Hall Canteen	
25	Education Improvement Grant	
26	Youth Innovation Grant	
27	Creditors 2018/19	
28	St. Peter’s R.C. Primary School	
29	Willows High School	
30	Ysgol Glantaf	
31	Health and Safety Framework	

The opinions given in reports issued to the end of May 2019 are shown in the table below. The majority of audit opinions allocated through drafts issued have recognised a sufficient level of internal control and governance in the areas reviewed.

Figure 2. Audit outputs and opinions (at 31st May 2019)

Output Stage	Number of outputs	Opinion				No opinion given
		Effective	Effective with opportunity for improvement	Insufficient with major improvement needed	Unsatisfactory	
Draft	13	2	8	1	1	1
Final	18	0	8	2	1	7
TOTAL	31	2	16	3	2	7

The two areas where adverse opinions have been provided, firstly related to a follow-up of Music Service income processes, for which there was limited improvement since the original audit, with only two recommendations actioned and therefore unsatisfactory assurance. In addition, an audit

of CTS P-Cards was given an assurance rating of insufficient with major improvement needed due to the need to improve control in card monitoring and management. Further information is included on the findings of these audits within Section 2.3 – Critical Findings or Emerging Trends.

Further to the table above, the outputs that were not been given an assurance opinion and the reasons for this were as follows:

Figure 3. Outputs without an assurance opinion (at 31st May 2019)

Audit	Comments
Payroll – CRSA completed	CRSA completed and discussed with payroll colleagues
Education – income processes	Consultation review consolidating discrete assurance reviews – no further audit opinion.
Joint Committees - Prosiect Gwyrdd	Work to support completion of Statement of Accounts, 2018/19
Joint Committees - Port Health Authority	
Joint Committees - Glamorgan Archives	
Cardiff Further Education Trust Fund	Completion of audit of accounts for 2017/18
Schools Contract guidance development	Guidance for schools on contracts, tendering, etc. and the publication of an exemplar policy.
Counter-fraud in schools – CRSA developed	Development of a counter-fraud CRSA for Schools.

2.2 Annual plan

The annual plan was agreed by Audit Committee at its meeting in April 2019 and was designed to be risk based and co-ordinated in application of the “three lines of defence” model. Assurance mapping exercises are carried out at periodic intervals during the year.

At the time the plan was agreed in April 2019, whilst many individual audit engagements were fully itemised, some time was allocated for particular audit areas for which the specific audit subject or nature was to be confirmed at a later date. Many of these initial allocations have now crystallised into specific audit engagements, through further review and discussion with senior officers. The new audit engagements are shown in bold within **Appendix B**, for Audit Committee to consider. Appendix B also details the reporting progress for each audit.

Aside from the above refinement of the plan, the Audit Manager has agreed that two new unplanned audit engagements will be undertaken. These are in respect of an audit of the ‘Out of School Club’ and ‘Governors Fund’ of St. Peter’s R.C Primary School, upon request of the School’s Governing Body, and an audit of the ‘Rumourless Cities’ European grant.

2.3 Critical findings or emerging trends

In accordance with PSIAS, Internal Audit is required to report to Audit Committee on critical findings or emerging trends. A follow up draft audit report has been completed on Music Service income processes, following an original audit review, which reported a number of concerns in respect of the processes and practices for income collection and control. The follow up review has identified limited change in the level of overall control, with only two recommendations actioned and high levels of outstanding income, in excess of £300k (over 40% of the parents using the Music Service). The draft report with an unsatisfactory assurance opinion has been issued to the manager for comment and an executive summary will be brought to Audit Committee once the report has been finalised.

A review of P-cards in Central Transport Services (CTS) has provided an assurance rating of insufficient with major improvement needed. The draft report has recommended a need for CTS to review their P-card requirements for the service and to create function specific guidance for the officers who use P-cards, to address a number of procedural improvements required. The primary areas for attention involved the need for prompt return of receipts, prompt review and return of electronic spreadsheets for contracted suppliers, and clear documentation of the roles and responsibilities of those involved in P-card processes due to delays and gaps in providing records and information to the Business Support Team.

The audit of St. Peter's RC Primary School has been finalised, following the draft findings being communicated to the Audit Committee in April 2019. The audit provided an assurance opinion of unsatisfactory and, accordingly, the executive summary is attached as **Appendix C** to this report. The governance of the Out of School Club (OSC) required clear communication, and full documentation of any links to, and responsibilities of, the School or its Governing Body. The report also 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.

Since the last Committee reporting date, an audit of Ysgol Gymraeg Glantaf has been issued and finalised for which an audit opinion of insufficient with major improvement was provided. The school had some governance matters which needed to be addressed including ensuring all

business interests were disclosed, all governor training had been attended and that all policies procedures and delegations of authority were up to date and formalised. Attention was also required to update and amend processes and practices relating to income recording and security, hire agreements and the operation of the school private fund audit. A copy of the final report and agreed actions has been issued to the Headteacher and the Chair of Governors for delivery and oversight.

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 provided for the reporting period.

The finalised audit of St. Peters R.C Primary has raised control issues, which limits assurance that effective and efficient practices are in place. The executive summary of this audit provides further details. The draft follow-up report recently issued for Music Service Income Processes has identified limited progress since the original audit as outlined above (section 2.3), for which the effectiveness of processes and practices for income collection and control remain unsatisfactory. As outlined above, an executive summary will be provided in the Audit Committee meeting in September.

On a more positive note, the findings of the three draft audit reports issued which had a specific value for money focus were more positive, and the areas were considered to be broadly effective in this regard for which further information is provided below.

Consultants, Interims and agency workers

The review has considered the reasonableness of decisions to procure staff resource (Consultants and Interims), or to use an agency mechanism (Cardiff Works and Matrix) for a sample of arrangements entered in 2018/19, due to the nature and cost of the requirements.

Based on the work undertaken and the samples tested during the audit, it is considered that, in general, reasonable and suitably informed decisions have been made to meet business needs, for which the overall assurance rating for the audit was effective with opportunity for improvement. The area for improvement related to the small sample of procurements for which

a tendering process was not followed, and evidence was not retained / available to demonstrate that the market had been properly tested for best Council value.

Workforce plans were not reviewed as part of this audit. However, as the nature of consultancy, interim and agency resourcing should be a temporary means to deliver capability or capacity, it has been suggested that Directors could benefit from taking-stock of their spend on temporary staffing arrangements, and consider if suitable arrangements are in place, or planned to meet their medium term model workforce.

Personal Reviews

The review considered the completeness of the Personal Review Process, as designed to deliver efficient and effective services through the Council's approach to performance measurement and management. Rather than focussing on the content of Personal Reviews, the audit considered the evidence of management monitoring and assurances on the quality of completion.

The audit recognised that a good level of compliance data was being reviewed systematically by the Senior Management Team (SMT) and the overall assurance rating for the audit was effective with opportunity for improvement. Through use of data interrogation techniques the audit identified cases for which it was considered that insufficient information was provided to support Personal Reviews. Accordingly, recommendations have been raised to further enhance the information considered systematically by SMT, such as character count data for free text fields, and to communicate the requirements and expectations for complete reviews, to managers and teams.

Sickness absence

The review considered the recording, monitoring and management of cases of sickness absence in accordance with the corporate policy, which has been designed to deliver an effective and efficient approach to attendance and wellbeing. The audit recognised that the sicknesses cases were broadly being managed in accordance with policy, whilst recognising that a greater consistency was required in the recording of information and attaching information.

The audit recognised that sicknesses cases had spiked at more than 11 days per FTE in 2018/19, above the targeted 9.5 days. However, the policy was considered to be supportive of effective

sickness management, accounting for process enhancements underway, which included escalating sickness management at an earlier stage to a more senior manager, and communicating new manager and employee guidance on responsibilities for sickness management. On balance, the overall assurance rating for the audit was effective with opportunity for improvement, in recognition of the progress to date and planned.

2.5 Resources

There have been 456 chargeable days to the end of May, against a pro-rata plan of 468 days. At the end of March 2019, a senior auditor submitted a request to temporarily reduce their hours from 37 to 32 hours per week for the 2019/20 financial year in order to provide a better work-life balance and to allow additional time for focus on IIA studies. This was considered by the Audit Manager and was agreed. There will be no reduction in the audit plan for the reduced audit hours (260 hours over the year) and, in the event of a shortfall in audit delivery, consideration will be to buying-in equivalent temporary resources.

Three members of the team are being supported through a Certified Internal Auditor (CIA) qualification with the IIA. Two of these auditors have progressed to working towards their third and final exam, one auditor is working towards their first exam. In recent months, and following discussion, one auditor is no longer being supported for study in accordance with the post entry training process, following a number of unsuccessful attempts at the first exam.

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 2019/20. 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. Meetings were held with Directors in April 2019 to discuss the audits carried out in 2018/19 in their directorates and their outcomes. The next set of meetings will take place at the end of June / beginning of July to review the audits undertaken in Q1, those planned for Q2 and any changes to internal controls that could affect the audit plan. Members will be updated in Q2 of the outcomes of the next series of meetings and any changes that have been made to the audit plan as a result.

Audit has issued 7 client questionnaires in Q1 and has received 5 responses (a response rate of 71%). One question asked of clients is whether they considered that the audit work added value to their service; 4 out of the 5 clients responded in the affirmative. In one case, this question was not answered; this was in a report where the client was already in the process of improving procedures.

In the reports issued to date in Q1, there have been 112 recommendations made, of which audit clients have agreed 67, with 45 presently being considered through draft audit reports. These are summarised below:

Figure 4. Recommendations raised and agreed

Rating	Recommendations made	Recommendations agreed
Red	11	8
Red / amber	63	44
Amber / green	32	13
Green	11	2
TOTAL	112	67

Updates will continue to be provided on the number of recommendations implemented.

3.2 Performance and Benchmarking

The Audit team is a member of the Welsh Chief Auditors and Core Cities benchmarking groups for 2019/20. The information for Cardiff has been submitted to the authorities responsible for collating the data, but responses have not been received from either group. Further information will be provided to Members when all Councils have submitted their outturn data to the group and the outputs have been circulated.

The audit performance targets for 2019/20 are included within the table below:

Figure 5. Performance Targets for 2019/20 (and 2018/19 Outcomes)

Performance Indicator	2018/19 Outcome	2019/20 Target
The percentage of audit reports delivered within six weeks	78%	85%
The average number of audit productive days per FTE	142	170.00

The average number of finalised audits per FTE	12 <i>* 2018/19 measured draft audits</i>	12
The percentage of audit recommendations implemented within the agreed timescale	67%	90%
The percentage of the audit plan completed	77%	80%

The table above shows the actual performance achieved in 2018/19 and the targets set for 2019/20. In terms of last year's performance, the overall output and delivery for the year was in line with the targets set, but the productive days and levels of recommendations implemented within the agreed timescale were below target for 2018/19.

Last year, the shortfall in productive days was materially impacted by the professional studies for five members of the team, and the participation of one team member in Trade Union duties, for which the level of involvement was greater than anticipated. The target at 170 productive days per employee will be retained for 2019/20. There are four team members involved in professional study, two of which are sitting their final IIA exams in July. It is also expected that the auditor's Trade Union requirements will be lower than last year.

The level of audit recommendations delivered in the agreed timeframe was below target. Achieving this measure is an ongoing challenge, but the target has not changed given the importance of timely delivery of agreed recommendations. Auditors are getting better at following up on red and red/amber recommendations more frequently. However, it was recognised that the green and amber/green recommendations needed an improved monitoring regime, which has been taken up by a member of the audit team this year.

3.3 Audit Plan Delivery

There has been a steady start to audit delivery in the first two months of the year, as illustrated in the 'Audit Outputs' in section 2.1 of this report.

Following the approach applied towards the end of last year, the Audit Manager has identified particular audits to target for delivery by the end of the financial quarter (i.e. 20% of the Audit Plan). These audits are listed below, and their delivery would achieve the targeted proportion of the Audit Plan for quarter one. The actual performance results for the full financial quarter will be reported to the Audit Committee in the September meeting.

Figure 6. Targeted 'Draft' Outputs by the end of Q1 (30th June 2019)

	Audit	Status as at 31.05.19
Targeted to issue as draft by 30.6.19		
1	Bilingual Cardiff	Audit Review Stage
2	Insurance – in year testing	
3	Housing Local Benefits / Housing Allowances	Drafting
4	Value for money - enforcement	Fieldwork
5	Value for money – review of overtime	
6	Commissioning of independent investigations (Education)	
7	Education – ICT Governance In-Year Testing (x5 schools)	
8	Payroll Overpayments	

3.4 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. Some minor changes have been made to strengthen the Audit questionnaire and the Post Audit Assessments, which have been in use since the beginning of the financial year.

The table below shows the instances where implementation dates have been revised by audit clients on SharePoint (as at 31.05.19). This reporting mechanism is used to monitor progress and target discussions on the effective management of risk management in relationship management meetings each quarter.

Figure 7. Revised recommendation implementation dates and status

Directorate / Audit Category	Number of recommendations with revised dates	Actions now implemented	Actions still open
Education and Lifelong Learning	40	11	29
Social Services	29	20	9
Resources	12	7	5
Housing and Communities	3	1	2
Planning Transport and Environment	22	5	17
Economic Development	13	6	7
External and grants	2	1	1
Fundamental	2	1	1
Corporate Governance	3	2	1

Governance and Legal Services	4	4	0
Other assurance	8	5	3
	138	63	75
Schools	133	116	17
TOTAL	271	179	92

Appendix F 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 Summary

There has been a steady start to delivering the Audit Plan at this early stage in 2019/20. The primary audit performance indicators have been retained from last year and, at a time when the team have all completed their end of year Personal Reviews, there is an ongoing focus on consistent core objectives for 2019/20.

Audits have been planned to deliver the assurance required in respect of fundamental systems, corporate governance and assurance, and service specific areas. Work is well progressed in respect of the CRSA style thematic audit reviews, with School's ICT Governance testing at a point of conclusion, Asset Management responses received and reviewed, ahead of in-year testing later in the year, and a Schools Counter-Fraud CRSA has been developed and communicated for testing in the Autumn Term. The more traditional style thematic reviews are being programmed.

The audit plan will be reviewed in full during quarter two to ensure that any changes to risks or internal controls are included in the planning process. Where it is considered necessary, the audit plan will be amended to include audits in these areas and the changes reported to Audit Committee for consideration.

Report Status in Quarter 1 (as at 31st May 2019)

Audit Opinion	Audit Area	High Risk Recommendations		Status (If not Final)
		Proposed	Agreed	
Fundamental / High				
Effective	Resources - Budgeting and forecasting 2019-20			Drafts Issued
	Ethics and values – Gifts and Hospitality			
Effective with opportunity for improvement	Health and Safety Framework			
	Risk management arrangements			
	Housing Rents			Drafts Issued
	Payroll - In year testing 2018-19	1		
	Creditors 2018/19			
Medium				
Effective with opportunity for improvement	Atebion Solutions			
	Sickness absence processes			
	Willows High School			
	Youth Innovation Grant			
	Communities - Partnership and collaborative governance			Drafts Issued
	Communities - Responsive Repairs			
	PTE - Bulky waste collections (domestic)			
	Regional Partnership Board			
	Stocktake observation - Brindley Road 2018-19			
	Stocktake observation - Lamby Way 2018-19			
	Storey Arms			
	Value for Money – Agency workers, interims and consultants			
	Personal Review Process			
Insufficient with major improvement needed	County Hall Canteen	1	1	
	Ysgol Glantaf	2		
	Music Service - expenditure review	1	1	Draft Issued
	Purchasing Cards (CTS)			
	Review of Gatehouse	2		

Audit Opinion	Audit Area	High Risk Recommendations		Status (If not Final)
		Proposed	Agreed	
	Whitchurch High School	1		
Unsatisfactory	St. Peter's R.C. Primary School	5		
	Music Service – income review follow up	3		Drafts Issued
	Review of Waste Management contracts	2		
Grants / Accounts / External Bodies				
Effective with opportunity for improvement	Education Improvement Grants			
	Cardiff Further Education Trust Fund			
	Norwegian Church Trust 2018-19			Draft Issued
No assurance opinion given	Joint Committees - Prosiect Gwyrdd	Statement of Accounts Reviews / Support		
	Joint Committees – Port Health Authority			
	Joint Committees - Glamorgan Archives			
Other assignments				
No assurance opinion given	Payroll - CRSA	CRSA		
	Counter-fraud in schools - CRSA development			
	Contract guidance for schools	Guidance		Draft Issued
	Education – income processes			

Audit Plan (as at 31.05.19)

Executive Summary – St. Peter’s RC Primary School

Background

- 1 An audit review has been undertaken at St. Peter’s RC Primary School. The audit involved a number of visits to the school in December 2018 and further enquiries with School and Council officers.
- 2 At the time of the audit visits, the school was operating as a chequebook school in accordance with the Council’s approved scheme. During the audit fieldwork, 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.
- 3 The Headteacher had returned from a period of absence, during which temporary Headteachers were in place.

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. The primary areas for immediate Headteacher and Governing Body attention are documented in the following paragraphs.
- 5 The governance of the Out of School Club (OSC) required clear communication, and full documentation of any links to, and responsibilities of, the School or its Governing Body. The minutes of the Governing Body contained some approvals in respect of the OSC, whilst the advice given during the audit was that the Club was wholly separate from the School. The Headteacher was noted as being the responsible officer with the Care Inspectorate Wales (CIW), but further oversight could not be clarified during the audit. There was no hire agreement available for use of the school premises, and no evidence could be provided regarding reimbursement to the Governors’ Account for use of the school premises.
- 6 The Governing Body needed to strengthen its oversight and challenge of delegated budget and private fund activities, and there was a need for regular monitoring and reconciliation of the school budget and private funds by the Headteacher. A number of declarations of business interests could not be evidenced during the audit and School governance documents and policies has not been reviewed in a number of years. Accordingly, advice was provided to the School and a recommendation to ensure all statutory policies and procedures were appropriately reviewed, authorised and published.
- 7 The audit identified a number of concerns relating to the appropriate recording and accounting for transactional school activities. 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 and provide a satisfactory level of assurance. Income received was not being counted until it was prepared for banking on a weekly basis, which was also not of sufficient frequency to keep within insured cash safe limits. There was also a need for clear visibility and separation of transactions between school budget and private income source and a subsequent independent check of income collected and banked to verify timely and accurate bank deposits.

- 8 The school needed to retain records of additional hours offered to, and accepted by, school staff. This related to a practice of the Headteacher offering additional hours to Teaching Assistants to enable them to achieve a salary consistent with their income prior to single status. Records of hours offered and accepted were not present during the audit.
- 9 The school needed to ensure that only officers with appropriate training perform health and safety duties. Audit was advised that a Teaching Assistant had been undertaking site inspection duties and opening the school in the morning, for which there was no record of appropriate training. Since appointment in November 2018, a Caretaker has been fulfilling this role.

Recommendations for Action

- 10 The report included 20 recommendations for improvement, all of which were red and red/amber rated and require prompt attention.

Latest Position

- 11 The recommendations have all been agreed by the Headteacher and Governing Body and a number of actions are recorded as underway. The main actions to address the recommendations raised are summarised in the following paragraphs.
- 12 It has been agreed that the current operation of the Out of School Club will be reviewed. Once the review has been completed and any changes to the future organisation or operational management of the club has been agreed, this will be communicated to the Governing Body and Internal Audit. The review of the OSC will include the use of a hire agreement with the School, and a reimbursement of the direct costs of its operation.
- 13 Arrangements for regular financial monitoring and reconciliation of school budget and private funds are to be undertaken and signed off by the Headteacher and reported to the Resources Committee. Annual declarations of Interest are reported as complete, and there is a commitment for prompt review of all required governance documents and policies.
- 14 Safe limits have been appropriately adjusted, and the offering of additional hours is reported to have ceased in view of the deficit budget position. The Headteacher has also advised that the Health and Safety training identified is being sought.
- 15 Internal Audit will monitor the delivery of the recommendations raised as part of the audit.

Audit Recommendations Tracker

Mae'r dudalen hon yn wag yn fwriadol

Service specific audits	Assurance	Chargeable	Original audit plan, 2018/19	Original audit plan	Assignment	Days		
Stores	Assurance	Chargeable	10	16	Year end stock check 1	3		
					Year end stock check 2	3		
Business Continuity	Assurance	Chargeable	15	0				
Total			315	250		250		
Planning, Transportation and Environment	Assurance	Chargeable	150	170	Health and Safety	15		
					Commissioning and Procurement	15		
					Income and Debtors	15		
					Bulky waste collection (domestic properties)	15	Draft report issued	Effective with opportunity for improvement
					Commercial waste	10		
					Recycling in HWRCs	20		
					Asset management	15		
					Stock systems (Tranman)	20		
					Stock systems (Vectec)	10		
					Purchasing cards (CTS)	10	Draft report issued	Insufficient with major improvement needed
					To be agreed with Director - Building Control	10		
					To be agreed with Director - Fly Tipping	15		
				0	Stock take observation - Lamby Way (carried forward from 2018/19)	0	Draft report issued	Effective with opportunity for improvement
					Review of Gatehouse	0	Draft report issued	Insufficient with major improvement needed
					Weighbridge - monitoring and review	0		
					Review of contracts in Waste Management	0	Draft report issued	Unsatisfactory
Housing and Communities	Assurance	Chargeable	150	150	Health and Safety	15		
					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		
					Into work grant streams	10		
					Responsive Repairs	20	Draft report issued	Effective with opportunity for improvement
					Flexibilities funding (Housing)	10		
					"Get me home" service	15		
					Review of stores - Joint Equipment Stores	15		
				0	Bilingual Cardiff (carried forward from 2018/19)	0		
					Regional Partnership Board (carried forward from 2018/19)	0	Draft report issued	Effective with opportunity for improvement
					Partnerships and collaborative governance (carried forward from 2018/19)	0	Draft report issued	Effective with opportunity for improvement
Economic Development	Assurance	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 - Channel View	15		
					To be agreed with Director - Stores (leasehold properties)	15		
					To be agreed with Director - Major Project governance	20		
				0	Stock take observation - Brindley Road (carried forward from 2018/19)	0	Draft report issued	Effective with opportunity for improvement
					County Hall canteen (carried forward from 2018/19)	0	Final report issued	Insufficient with major improvement needed
Education and Lifelong Learning	Assurance	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		
					Work in individual schools			
					School 1 - St. Francis RC Primary School			
					School 2 - Windsor Clive Primary School			
					School 3 - St. Illtyd's RC High School	40		
					School 4			
					School 5			
					School 6			
					Income collection in schools (incl. lettings, banking)	25		
					Contract procedures in schools	25		
					Asset management	15		
					Storey Arms	10	Draft report issued	Effective with opportunity for improvement
	Consultation				School guidance on contract procedures	0	Completed	No opinion given
					Roath Park (carried forward from 2018/19)	0		
					Commissioning of independent investigations (carried over from 2018/19)	10		
					Youth Innovation Grant (carried forward from 2018/19)	0	Final report issued	Effective with opportunity for improvement
					Music Service - expenditure (carried forward from 2018/19)	0	Draft report issued	Insufficient with major improvement needed
					Income processes (carried forward from 2018/19)	0	Draft briefing paper issued	No opinion given
					St. Peter's (carried forward from 2018/19)	0	Final report issued	Unsatisfactory
					Willows (carried forward from 2018/19)	0	Final report issued	Effective with opportunity for improvement
					Ysgol Glantaf (carried forward from 2018/19)	0	Final report issued	Insufficient with major improvement needed
					Whitchurch High School (carried forward from 2018/19)	0	Draft report issued	Insufficient with major improvement needed

Mae'r dudalen hon yn wag yn fwiadol

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

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
o Ddeddf Llywodraeth Leol 1972.

Mynediad Cyfyngedig i'r Ddogfen

Mae'r dudalen hon yn wag yn fwriadol

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Mynediad Cyfyngedig i'r Ddogfen

Mae'r dudalen hon yn wag yn fwriadol

AUDIT COMMITTEE: 25 June 2019

**INVESTIGATION TEAM PROGRESS REPORT 2019/20 &
DRAFT COUNTER-FRAUD AND CORRUPTION STRATEGY**

REPORT OF THE AUDIT MANAGER

AGENDA ITEM: 12.2

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 31st May 2019.
3. It also provides the Audit Committee with an opportunity to comment on the development of a draft Counter-Fraud and Corruption Strategy, prior to a request for Cabinet approval on 11 July.

Background

4. The Audit Manager prepares quarterly progress reports, outlining the work undertaken by the Investigation Team, its key outputs and outcomes. Progress reports focus on the proactive and reactive investigation activities underway, including participation in initiatives, such as National Fraud Initiative (NFI) data matching exercises, and officer training delivered by the team.
5. The draft Counter-Fraud and Corruption Strategy is designed to co-ordinate the counter-fraud policy framework, and it outlines the strategic approach to tackling fraud across the organisation. It seeks to develop and maintain a culture in which fraud, bribery and corruption are understood across the organisation as unacceptable, for which firm action is and will be taken to prevent and detect fraud loss, bring fraudsters to account quickly and efficiently, and to recover any losses. It is reported that 'Fraud costs the public sector at least £20.6bn annually, and of this total, £2.1bn is specifically in local government' (Annual Fraud Indicator 2013 - which provided the last set of government sanctioned estimates).
6. The operational approach to prevent, detect and investigate any suspicions of fraud or financial impropriety is outlined within the Council's Fraud, Bribery and Corruption Policy, which, following Audit Committee consideration in March 2018, was approved by Cabinet on 14 June 2018. The Strategy will provide a line of sight for the Council's range of counter-fraud policies and documents and support their ongoing co-ordination

Issues

Progress Update

7. The progress report (**Appendix A**) outlines that authority has been given to advertise for an additional Investigator. At a time when the team has continued to deal with a number of investigations within the Waste Management Service, the additional resource will enable the team to undertake a portfolio of proactive and reactive work on a more sustainable basis. Positive consultation has already taken place with the Trade Unions, and efforts will be made to fill the vacancy during quarter 2.
8. Completed investigations have increased compared to last year, whilst there are seventy current investigations ongoing. This is at a time when referrals are higher than last year, for which the team continues to risk assess and prioritise cases to ensure that investigations are undertaken as necessary. The value of concluded reactive investigations in this first reporting period exceeded £12,000.
9. Matches identifying potential frauds and irregularities have been received from the latest (biennial) round of the National Fraud Initiative exercise, and to date, errors have been identified from which overpayments totalling £5,642 are to be recovered. In respect of the annual Council Tax exercise, the Investigation Team has reviewed 141 matches, resulting in 36 cases identified as fraud / error and generating 27 overpayments with a total value of £14,913. Mandatory Investigating Officer training has also continued, with one session delivered in April.

Counter-Fraud and Corruption Strategy Development

10. The draft Counter-Fraud and Corruption Strategy (**Appendix B**) is designed to support a fraud reporting culture, strong fraud awareness, assurance, and ownership within Directorates and teams. The Investigation Team has led the development of the Council's Counter-Fraud Strategy. Through the discussions held and decisions made to date, there is a strong corporate commitment to an organisational-wide awareness and training campaign to engage the whole workforce to retain and enhance resilience in fraud risk management. The Strategy and the design and delivery of mandatory eLearning training will add to the proactive work of the Investigation Team, and reaffirm the responsibilities to prevent, detect and report potential fraud
11. The Strategy incorporates best practice guidance and intelligence from the Chartered Institute of Public Finance and Accountancy (CIPFA), notably the 'Fighting Fraud and Corruption Locally Strategy', and the annual 'Fraud and Corruption Tracker'. It has also accounted for the Government's functional standards, which set out the basics that public bodies should have in place to find and fight fraud.
12. To develop the Strategy, best practice information and intelligence on the nature and management of fraud risks has been gained through lead counter-fraud officers participating in ongoing networking. This has involved participation in peer local authority networks such as the Core UK Cities, Welsh Chief Auditor and Welsh Investigator groups, and attending the Wales Audit Office Good Practice Exchange and the Wales Fraud Forum.
13. The Senior Management Team considered and agreed the contents and components of the Strategy in meetings between February and April 2019. The Strategy has been

aligned to the Council's commitment to integrity, ethical values and the law, through its Corporate Values, Constitution, and supporting policies and procedures.

14. The Council's fraud risk assessment is built upon national trends and intelligence and Council specific intelligence, which includes management and internal audit assurance, data matching and analysis (through participation in the National Fraud Initiative Cabinet Office exercises), and disclosures in the public interest through the Council's whistleblowing scheme.
15. The conditions for fraud and fraud 'red flags' are outlined in the Strategy to support all officers and Members to identify potential fraud risks, and information is provided on the responsibilities we all have for fraud risk management, and reporting concerns.

Counter Fraud Response

16. The Strategy includes a Counter-Fraud Action Plan, which outlines the core proactive and responsive activities and their frequency. Each of the counter-fraud activities are designed to 'acknowledge' and understand fraud risks, to 'prevent' and detect more fraud, and to 'pursue' and punish fraudsters.
17. Council-wide training and awareness is a cornerstone of the refreshed corporate counter-fraud response, for which priority actions have been programmed for 2019/20. A mandatory eLearning Fraud Awareness module will be rolled out commencing July 2019 and face-to-face training events will be arranged to reach non-computer users and school officers.
18. Planning is also underway to participate in the International Fraud Awareness Week, 17 – 23 November 2019. International Fraud Awareness Week, or Fraud Week, was established by the Association of Certified Fraud Examiners (ACFE) in 2000 to raise awareness about fraud. The week-long campaign provides an opportunity to take proactive steps to promote anti-fraud awareness and education.
19. The Counter-fraud Action Plan also sets out the primary anti-fraud policies, and their review timescale to keep up to date with legislative and best practice approaches. It also sets out the participation in fraud networks for ongoing information on national and regional attempted and committed frauds, relevant trends and intelligence. Exercises are also planned to checks management assurance statements and risk updates periodically on fraud related matters, and to provide advice and assurance on consistent fraud risk measurement and management.

Legal Implications

20. Non adherence to this strategy may facilitate serious financial and corporate governance weaknesses. It is a mandatory requirement that the Council adheres to the laws which are applied within the Strategy i.e. the Fraud Act, Bribery Act and Theft Act etc. The Anti-Fraud and Corruption Strategy is the umbrella document demonstrating the activities taking place to combat fraud and corruption. Fraud and corruption exist in many formats and impact (amongst other matters) upon the Council's finances, service delivery and its customers. A realistic Anti-Fraud and Corruption Strategy helps to address all areas of prevention, detection and prosecution/sanction of potential and actual illegality.

Financial Implications

21. A Counter Fraud and Corruption Strategy is an important aspect of promoting effective financial stewardship and helping to safeguard the Council's financial resources.

HR Implications

22. It will be important that the mandatory eLearning is effectively communicated to the target audience, including how this training will be mandated to schools. A Monitoring Procedure will need to ensure compliance against the training.

RECOMMENDATIONS

23. That the Committee:

- Notes the content of the progress report
- Notes and considers the draft Counter-Fraud Strategy, prior to a request for Cabinet approval on 11 July.

CHRIS PYKE
AUDIT MANAGER
25 June 2019

The following appendices are attached:

Appendix A: Investigation Team - Progress Report June 2019

Appendix B: Draft Counter-Fraud and Corruption Strategy

Appendix C: Equality Impact Assessment – Counter-Fraud and Corruption Strategy

Investigation Team – Progress Report

Resources



Authority has been given to advertise for an additional Investigator post within the team. Positive consultation has already taken place with the Trade Unions, and it is anticipated that the vacancy will be filled during quarter 2.

The team continues to deal with a number of investigations in Waste and this remains a pressure on the team's ability to undertake proactive exercises.

Training

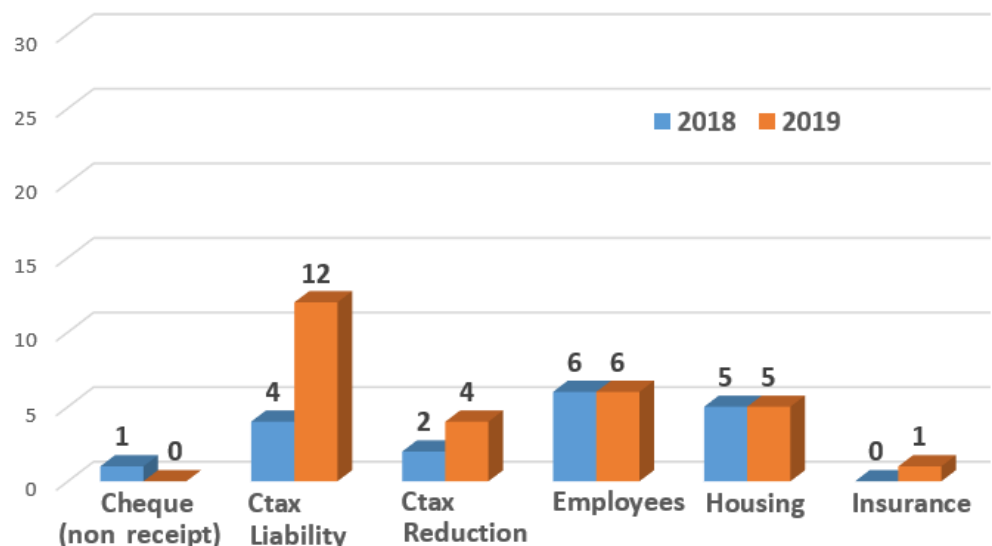
Mandatory Investigating Officer training is still delivered by the team and group sizes continue to be maximised. 1 session has been delivered with 11 attendees, compared to 2 sessions / 13 attendees last year.

Reactive - Referrals

The Council is currently undertaking a pilot exercise to crack down on the abuse of the Blue Badge scheme in the city. The investigation team is assisting by providing advice and support.

Twenty eight fraud referrals were received, compared to 18 for the same period last year:

Referrals received (1st Apr - 31st May 2019)



Proactive - Referrals

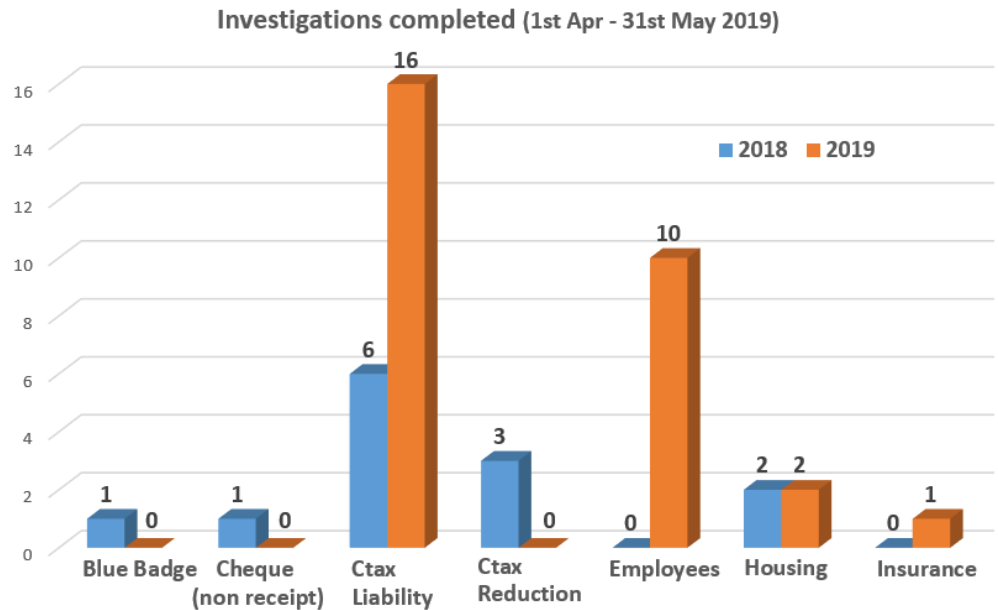
Matches identifying potential frauds and irregularities have been received from the latest (biennial) round of the National Fraud Initiative and to date, 709 matches have been processed, 707 of these have been cleared and 2 errors have been identified with overpayments generated totalling £5,642.17.

In respect of the annual Council Tax exercise, the Investigation Team has reviewed 141 matches, resulting in 36 cases identified as fraud / error and generating 27 overpayments with a total value of £14,912.71.

These cases relate to adult occupants in receipt of a single person discount, when there are other persons registered to vote from the property.

Investigations concluded

Twenty nine investigations have been concluded, with a total value of £12,000 compared to 13 cases last year (£7,000):



Investigations ongoing

There are currently seventy investigations ongoing, of which, 18 relate to criminal allegations. Progress has been impacted by the Waste investigations which the recruitment of a further Investigator is looking to address:



New initiatives

A request has been received from South Wales University to support a student with their Criminology studies, by hosting them for a week and providing unpaid work experience. This request has been accepted and preparations are underway.

An Elearning training module has been sourced in order to raise fraud awareness. This is currently being updated to ensure that it is relevant to Cardiff Council and supports the Counter-Fraud and Corruption Strategy and will be rolled out in July.

International Fraud Awareness Week will be running between the 17th and 23rd November 2019, a publicity campaign is planned and preparations are underway.

Draft Counter-Fraud & Corruption Strategy

Cardiff Council



Gweithio dros Gaerdydd, gweithio drosoch chi.
Working for Cardiff, working for you. Tudalen 413



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2.	Legal Background	5
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7.	Counter-Fraud Response Plan	15
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a.	The Counter Fraud and Corruption Action Plan	16
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c.	A Desktop Guide to Reporting Cardiff Council Fraud, Bribery and Corruption	20

Foreword

To be included

Councillor Huw Thomas, Leader of the Council, and Paul Orders, Chief Executive.

DRAFT



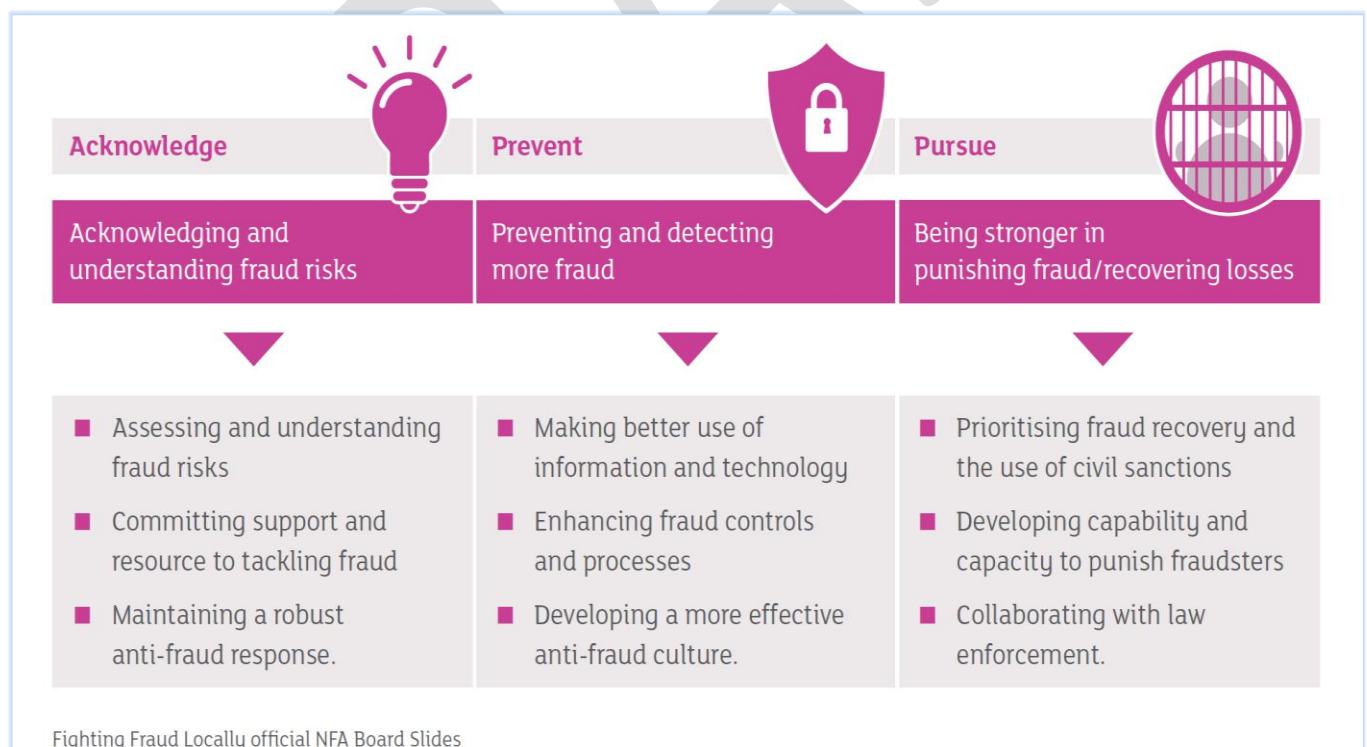
1. Objectives

This Strategy is designed to develop and maintain a culture in which fraud, bribery and corruption are understood across the organisation as unacceptable, for which firm action is and will be taken to prevent and detect fraud loss, bring fraudsters to account quickly and efficiently, and to recover any losses.

Our Principles

The strategy will support us all to better understand fraud risk, and to prevent and detect fraud more effectively. The strategic response to fighting fraud in Cardiff Council includes the following principles through which we:

- **'Acknowledge'** and understand fraud risks, and take steps to tackle fraud through a robust anti-fraud response.
- **'Prevent'** and detect more fraud, by making good use of technology, maintaining and enhancing fraud controls and processes and delivering an anti-fraud culture.
- **'Pursue'** through punishing fraudsters and the use of civil sanctions and recovery of losses and support to the law enforcement response.



Fighting Fraud and Corruption Locally, Local Government Counter Fraud and Corruption Strategy, CIPFA 2016-2019



Our Targets

The Strategy is designed to support a fraud reporting culture, strong fraud awareness, assurance, and ownership within Directorates and teams.

1. **Reporting Culture** - Everyone working for / representing the Council (employees, agency workers, temporary staff, Members etc.) needs a good awareness of fraud risk and accountability for reporting, through training, communication activities and policy reviews. Members of the public must know how and when to raise concerns.
2. **Strong Assurance** - The Council's internal control systems need to provide indications of any unusual patterns of activity or events that may point to potential fraudulent activity. Fraud risks must be understood, monitored and managed, to deliver strong Council-wide assurance on fraud risk management.
3. **Ownership** - Everyone working for the Council needs to understand their personal responsibility for supporting counter-fraud risk management. Managers should consider this in Personal Review objective setting.

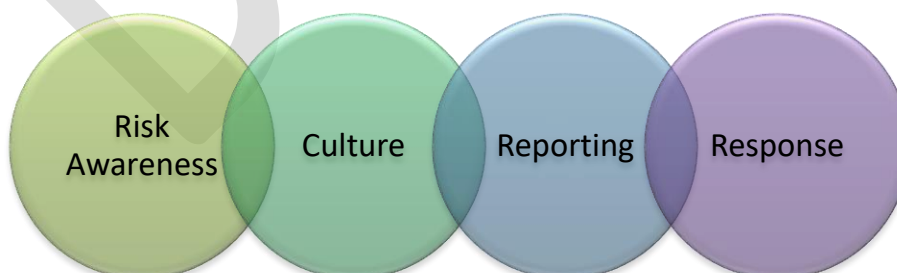
Why is this important?

'Fraud costs the public sector at least £20.6bn annually, and of this total, **£2.1bn is specifically in local government.**'

(**Annual Fraud Indicator 2013**, which provided the last set of government sanctioned estimates (England, Scotland, Wales and NI)).

Our Approach

The Council's approach for meeting the objectives of the strategy involves four core elements:



Risk Awareness - Deliver a range of fraud awareness training and take active steps to understand the nature and level of fraud risks. Providing managers with support in designing, operating and reviewing internal controls and sharing knowledge of vulnerabilities and lessons learned through strong communication channels.



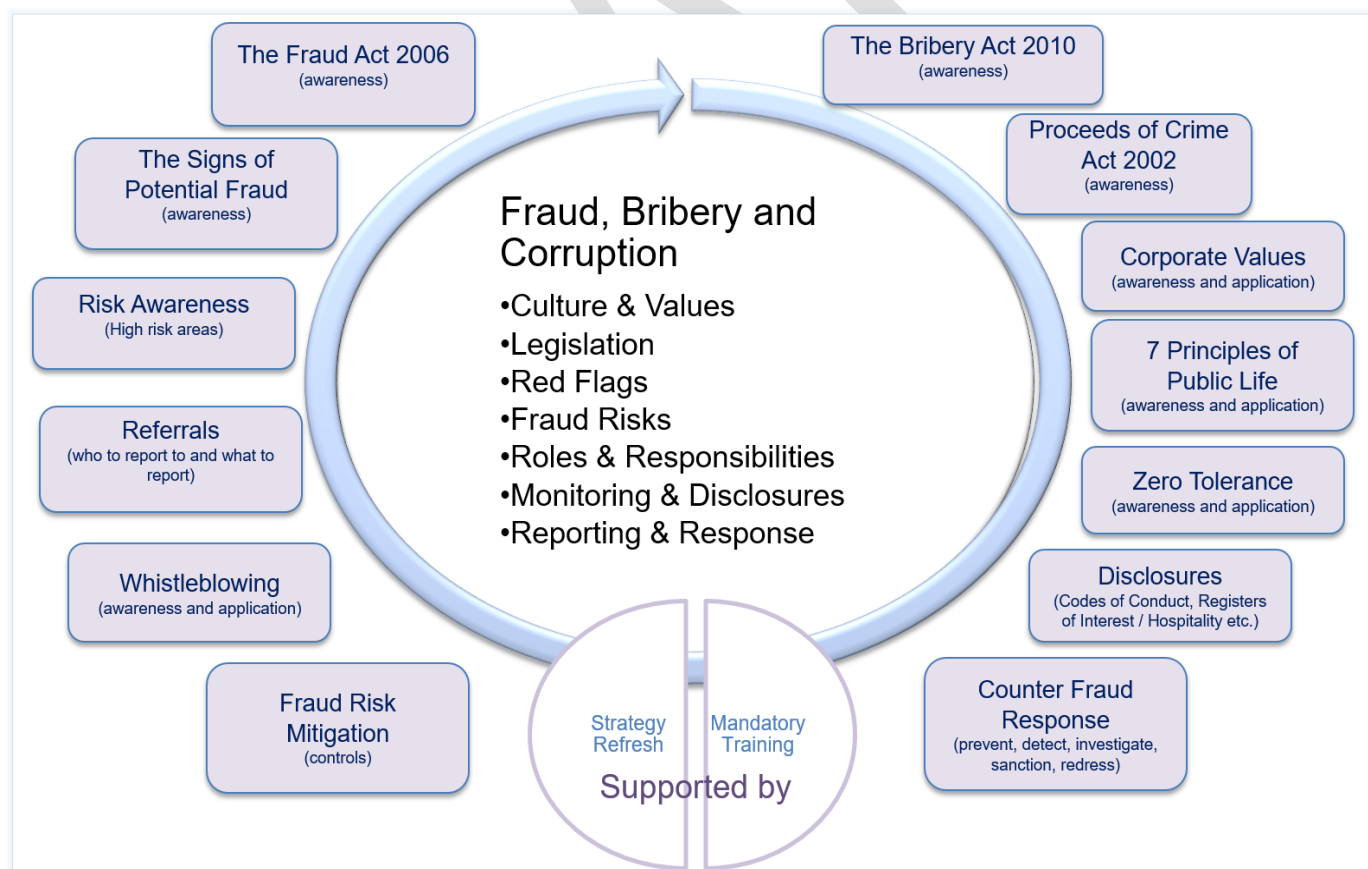
Culture - Supporting individuals in their responsibilities to prevent and detect fraud, through training and guidance to reinforce expectations. Communicating our attitude to fraud by raising awareness of the counter-fraud policy framework, which supports the application of clear ethical standards.

Reporting - Providing, effectively communicating, and promoting, robust process for reporting suspicions of fraud.

Fraud response - Responding to fraud effectively through a comprehensive fraud response plan, developing capability and capacity to investigate fraudsters and delivering a collaborative and supportive response.

How we will deliver the strategy

Awareness, support and training for ALL officers to understand and apply a strong counter-fraud culture. The Counter-Fraud Action Plan, which sets out the calendar of key activities planned for each financial year, is included in Appendix A.



2. Legal Background

There are a number of pieces of legislation in place that we need to be aware of and ensure we adhere to, which are summarised below:

Fraud

The Fraud Act 2006 focusses on dishonest behaviour, and the intent to make a gain either for yourself or another; to cause a loss to another; or, expose another to a risk of a loss. A person does not have to benefit from the fraud to be guilty of the offence. As soon as they have made a dishonest / false representation, they have committed fraud.

The offence of fraud can be committed in three ways, which are summarised below:

- Ø **Fraud by false representation** – lying, or misleading someone in order to make a gain or cause a loss. *E.g. falsifying information in a job application form*
- Ø **Fraud by failing to disclose information** – not stating something you have a legal duty to. *E.g. failing to declare a conviction, disqualification or commercial interest when such information may have an impact on your role, duties or obligation to declare.*
- Ø **Fraud by abuse of a position** – abusing a position where there is an expectation to safeguard the financial interests of another person or organisation. *E.g. abusing access to monies, or using commercially confidential information to make a personal gain, or cause a loss.*

Fraud. Offences under the Fraud Act 2006 occur where the act or omission is committed dishonestly and with intent to cause gain or loss. The gain or loss does not have to succeed.

Successful prosecutions under the Fraud Act 2006 may result in an unlimited fine and/or a potential custodial sentence of up to 10 years.

Bribery and Corruption

Bribery and Corruption is covered by specific pieces of legislation:

The Bribery Act 2010 has made it a criminal offence to:

- Ø **Offer, promise or give a financial or other advantage to another person, and/or**
- Ø **Request, agree to receive, or accept a financial or other advantage.**

The Act contains further offences for commercial bribery. An offence relating to bribery of a foreign public official in order to obtain or retain business or an advantage in the conduct of business, and a form of corporate liability for failing to prevent bribery on behalf of a commercial organisation.

Bribery is generally defined as: an inducement or reward offered, promised or provided to someone to perform their functions or activities improperly in order to gain a personal, commercial, regulatory and/or contractual advantage.

A conviction under the Bribery Act 2010 may ultimately result in an unlimited fine and/or a custodial sentence of up to 10 years imprisonment.



Corruption is generally considered as an “umbrella” term covering such various activities as bribery, corrupt preferential treatment, kickbacks, cronyism, theft or embezzlement. Under the 2010 Act, however, bribery is now a series of specific offences.

A bribe does not have to be in cash; it may be the awarding of a contract, the provision of gifts, hospitality, sponsorship, the promise of work or some other benefit. The persons making and receiving the bribe may be acting on behalf of others – under the Bribery Act 2010, all parties involved may be prosecuted for a bribery offence.

Proceeds of Crime Act 2002 – The Act can be used for recovering criminal assets. Criminal confiscation is the most commonly used power, and this occurs after a conviction has taken place. The Act was introduced to deny criminals the use of their assets, to recover the proceeds of crime and to ‘disrupt and deter’ criminality.

Misconduct in Public Office: A common law offence for which the elements are:

- a) A public officer acting as such.
- b) Wilfully neglects to perform his duty and/or wilfully misconducts himself.
- c) To such a degree as to amount to an abuse of the public's trust in the office holder.
- d) Without reasonable excuse or justification.

This offence carries a maximum sentence of life imprisonment, and should be reserved for cases of serious misconduct or deliberate failure to perform a duty, likely to injure the public interest. Dishonesty or corrupt behaviour are not essential elements of the offence.

Other relevant legislation

The Criminal Finance Act 2017: Whilst this in the main relates to a UK tax evasion facilitation offence, Government guidance suggests prevention measures should be in place similar to the prevention measures under s7 of the Bribery Act 2010. The Council needs to have policies and procedures in place to prevent tax evasion from occurring.

The Serious Crime Act 2015: The Serious Crime Act gives effect to a number of legislative proposals in relation to serious and organised crime. In doing so, it builds on current law to ensure that the relevant bodies have the powers they need effectively and relentlessly to pursue, disrupt and bring to justice serious and organised criminals.

The Public Contracts Regulations 2015: Where a contracting authority has knowledge that a company or its representatives have been convicted of a corruption offence, they should be treated as ineligible (debarred) to participate in the tendering process. Companies cannot be permanently debarred, but instead will face a term of debarment, dependent on the case, that can be no longer than five years from the date of the conviction. Public authorities are also obliged to bring debarment to an end when the company can satisfactorily demonstrate ‘self-cleaning’.



3. Values

General Integrity and Ethical Values

The Council has a strong commitment to integrity, ethical values and the law, through the Council's Corporate Values, Constitution, and supporting policies and procedures:

- **Corporate Values** - guide the workforce and communicate expectations to our stakeholders on conduct and behaviour.
- **Induction and Training Processes** - are in place for all officers and Members to ensure awareness and understanding on a range of policies, procedures and regulations.
- **Statutory Roles** - which include the Section 151 Officer, who has overall responsibility for the financial administration of the Council and the Monitoring Officer, who has overall responsibility for ensuring that the Council, its Officers, and its Elected Councillors, maintain the highest standards of conduct
- **The Standards and Ethics Committee** - monitors and scrutinises the ethical standards of the Authority, its Members, employees and any associated providers of the Authority's services.
- **A Whistleblowing Policy** – encourages staff and contractors 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).
- **Zero Tolerance attitude to fraud, bribery and corruption** – requires Officers and Members to act honestly and with integrity at all times, and to promptly report concerns

Zero Tolerance to Fraud

The Council requires Officers, Members and those we engage with, to act honestly and with integrity at all times. Zero tolerance is given to those committing or attempting fraudulent or corrupt acts (including bribery) inside and/or outside of the Council, through:

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



4. Assessing Fraud Risk

Cardiff Council relies upon proactive and reactive work across the Council in order to effectively prevent and detect fraud.

The first line of defence is the internal control environment within each directorate, in which there needs to be a culture of accountability, a zero tolerance to fraud, supported by a robust application of controls, to prevent fraud and a reporting culture for any concerns.

Awareness and training are essential to ensure a Council-wide response to counter-fraud. A corporate approach to awareness and training is programmed in the Counter-Fraud Action Plan (see Appendix A).

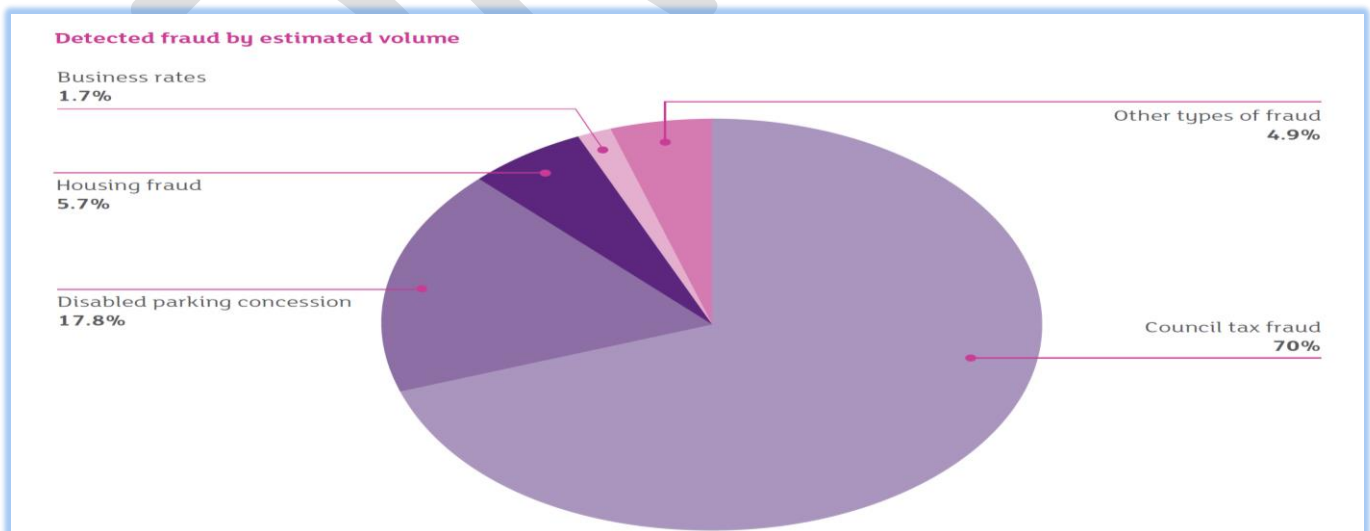
Central resources are targeted to the highest risk fraud areas, and the starting point for the risk assessment is national intelligence and data on fraud levels across local authorities. The annual CIPFA fraud and corruption tracker provides insight on the levels of fraud identified in UK local authorities and wider public services.

The most recent data on the relative proportions of detected local authority fraud by volume is shown below. The associated fraud risk descriptions are included within the glossary in Appendix B.

The following pages explain the process that is followed to develop the fraud risk assessment, starting with national data and intelligence, and then integrating Council intelligence. This strategy and the associated activities included in the Counter-Fraud Action Plan, are focussing greater attention to an organisation-wide fraud risk awareness, and the reporting of suspicions and concerns from all levels of the organisation.

National Trends & Intelligence

I. Detected Fraud in UK Local Authorities (by Volume)



CIPFA, Fraud and corruption tracker 2018

Estimated
Fraud Value
2017/18

- £216.1m Housing and Tenancy Fraud
- £26.3m Council Tax Fraud
- £10.4m Business Rates Fraud
- £7.3m Disabled Parking Fraud



The 'other' types of fraud (4.9% of detected volume) comprised the following, shown in order of frequency across UK local authorities, ordered from most frequent to least.

II. Primary 'other' types of fraud in UK Local Authorities in 2017/18

Primary 'Other' Types of Fraud	Estimated value 'overall'	Estimated value 'per fraud'
Adult Social Care fraud	£6.7m	£9.1k
Mandate fraud and manipulation of data	£6.6m	£25.6k
Procurement fraud	£5.2m	£36.4k
No recourse to public funds / welfare assistance fraud	£4.3m	£11.4k
Insurance fraud	£3.5m	£12.3k
Payroll, recruitment, expenses and pension fraud	£2.1m	Payroll - £6k Recruitment - £9.5k Expenses - £867 Pensions - £3.4k
Economic and voluntary sector support & debt fraud	£0.8m	£13.4k

CIPFA, Fraud and corruption tracker 2018

The Council uses its awareness of national fraud risk trends in local authorities and wider public services, to understand the growing areas of fraud and to consider the conditions in which fraud could take place. This knowledge is used to inform management activities, Internal Audit testing, and the focus of the Investigation's Team.

The value of actual fraud identified in Cardiff Council through fraud investigations, is monitored, recorded, and reported to each of the five Audit Committee meetings held each year.

Council Intelligence

The Council uses a number of sources of intelligence to identify its fraud risk, which build upon the national intelligence data that we receive. The Investigation Team uses the following primary means to identify its fraud risk assessment of the Council.



Building on national intelligence sources, three principal areas used to further refine the understanding of fraud risk, are as follows:



1. Internal Control Environment (Management and Internal Audit Assurance)

Managers at all levels are responsible for ensuring that systems and processes in place minimise fraud risk and are operating as they should. Managers are responsible for installing and monitoring strong physical and system controls to prevent fraud risks, and for effective mechanisms to detect and respond to potential fraud. Management monitor the controls in place to manage fraud risk, allegations of fraud, and other intelligence or red flags for fraud. This intelligence should inform their management risk assessments quarterly and assurance statements twice a year in respect of the prevention and detection of fraud.

Internal Audit provides independent assurance on the operation of internal controls. The Internal Audit plan is responsive to fraud risk, with national data and intelligence used to inform an inherent risk assessment, which is further refined by additional sources of assurance. High fraud risk areas (e.g. Council Tax, Business Rates and Housing) are subject to regular systematic audits, as are the areas of 'other' fraud (as categorised above). Audit test programmes assess the risk of fraud and the effectiveness of key controls to mitigate fraud. The work of audit provides a secondary assessment of the fraud risk.

2. Data Matching and Analysis

There are a number of activities in place to identify fraud risk through data analysis and data matching. Core financial systems use a range of methods to identify the risk of fraud, with mechanisms in place for assurance in key areas of high value transactions such as procurement and payroll.

The Council works with the Wales Audit Office and Cabinet Office to undertake data matching exercises in order to identify potential frauds and irregularities, and works with other local authorities to share intelligence and best practice. The data matching and analysis intelligence further informs the fraud risk assessment, whilst also leading to proactive fraud detection activities.

3. Whistleblowing

The Council's Whistleblowing Policy is a means through which those working for, or with us, can make a disclosure in the public interest, and this may relate to an allegation of fraud or financial impropriety. Workers are often the first to realise that there may be something significantly wrong within the Council. The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, we expect workers, and others that we deal with, who have serious concerns about any aspect of the Council's work to come forward and voice those concerns.

The Right Conditions for Fraud

A concept known as the fraud triangle refers to a 'perfect storm' where the following three elements, leading to fraud, coincide. At the same time as upholding our own corporate values, we need to be alert to the presence of these conditions in others, and to work on reducing the elements which are in our control as colleagues and managers.



The Fraud Triangle

1. Pressure

2. Opportunity

3. Rationalisation

Concept developed in 1950s by Criminologist Dr Donald Cressey.

- **Pressure or motivation** to commit fraud can come from a range of sources e.g. a detrimental change to an individual's personal financial situation.
- **Opportunity** to commit fraud generally results from poor controls in place within directorates i.e. failing to put in place measures to prevent attempted fraudulent acts. It is the responsibility of managers in the first instance to install and monitor effective controls, with all employees expected to report any concerns they have.
- **Rationalisation** is the justification that a person has to go about committing a crime. If the right culture and values are upheld, then regardless of the above two elements, people will not commit fraud.

Red Flags for Fraud

There are a number of behavioural characteristics, which may alert us to a greater risk of fraud. These are known as 'Red Flags', and we are all responsible for keeping alert to the presence of these behavioural characteristics in those that we work with, and reporting concerns to our line manager, where appropriate, and to the Audit Manager.

In its 2016 Report to the Nations on Occupational Fraud and Abuse, the Association of Certified Fraud Examiners identified behavioural red flags that many fraud perpetrators exhibit as follows:

- Ø Living beyond one's means.
- Ø Financial difficulties.
- Ø An unusually close association with a vendor or customer.
- Ø Control issues or an unwillingness to share duties.
- Ø Wheeler-dealer attitude involving shrewd or unscrupulous behaviour.
- Ø Irritability, suspiciousness, and defensiveness.
- Ø Addiction problems.
- Ø Refusal to take holidays
- Ø Complaining about their lack of authority.
- Ø Excessive gambling.
- Ø Increased smoking.
- Ø Making up excuses for missing documents, income, and finding scapegoats.



System / Data 'Red Flags'

Inventory shrinkage	Missing documents	Multiple payments
Spikes in invoice volume	Frequent complaints	Excessive number of adjusting entries

5. Roles and Responsibilities

Cardiff Council recognises the threat of fraud and corruption, and the harm they can cause to our organisation, our aims and objectives, and our service users.

It is important that we all recognise our personal accountability for managing the risk of fraud, bribery and corruption. To be able to 'acknowledge', 'prevent' and 'pursue' potential instances of fraud we need to work together and each understand the active role we must play. Our primary responsibilities for supporting a counter-fraud culture are included below.

Roles	Primary Responsibilities
All Employees	<ul style="list-style-type: none"> • Complete all mandatory training; • Uphold strong standards of conduct and compliance; • Maintain physical and system controls to prevent and detect fraud; • Keep aware of fraud risks and report suspicions.
Members	<ul style="list-style-type: none"> • Complete all mandatory training; • Uphold strong standards of conduct and compliance; • Support a reporting culture and take appropriate action; • Reinforce a culture of accountability and 'zero tolerance' to fraud.
Managers	<ul style="list-style-type: none"> • Complete all mandatory training; • Uphold strong standards of conduct and compliance; • Maintain physical and system controls to prevent and detect fraud; • Regularly assess, monitor and manage fraud risks; • Support a reporting culture and take appropriate action; • Reinforce a culture of accountability and 'zero tolerance' to fraud.
Section 151 Officer	<ul style="list-style-type: none"> • Make arrangements for the proper administration of financial affairs; • Authorise the investigation of potential financial irregularities.
Monitoring Officer	<ul style="list-style-type: none"> • To ensure the Council, its officers, and its elected Members, maintain high standards of conduct.
Internal Audit Team	<ul style="list-style-type: none"> • Develop and deliver a risk-based audit plan to provide assurance on effective financial management and sound systems of internal control; • Evaluate the risk of fraud, and the systems and controls in place to prevent and detect fraud.



Internal Audit – Investigation Team	<ul style="list-style-type: none"> • Provide advice and support to the Section 151 Officer that all suspicions of fraud, bribery and corruption are dealt with in an effective, efficient and consistent manner; • Work closely with Directorates where fraud or financial impropriety is suspected; • Provide professional advice and support to Investigating Officers; • To lead investigations as appropriate; • Develop and deliver the Counter-Fraud Action Plan.
Audit Committee	<ul style="list-style-type: none"> • To monitor the Counter-Fraud Strategy, actions and resources; • To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
<i>Dedicated Investigation roles</i>	<i>NB – this Strategy outlines the roles and responsibilities to support a Council-wide approach to Counter-Fraud. The specific roles in respect of investigations are included in associated policies.</i>

Reporting Culture

Through your day-to-day work, you are in the best position to recognise specific risks within your areas of responsibility, or those working closely with you. Where you believe the opportunity for fraud, corruption or bribery exists, whether because of poor procedures or oversight, you should report in accordance with the following simple steps.

If you believe you have identified potential fraud:

1. Report the matter to your line manager as soon as possible. Line managers should attempt to establish as many details as possible (through discussion with the notifying officer only).

OR

2. If the concern relates to your line manager, report the matter direct to the Audit Manager (Chris Pyke) or the Section 151 Officer (Christopher Lee).
3. Following any notification of fraud, financial impropriety or irregularity, Management should in the first instance, send an email to the Group Auditor Investigations, d.hexter@cardiff.gov.uk summarising allegation(s), including as much detail as possible.

NB. Key Contact information is included in Appendix C, and the investigation process is included in the Council's Fraud Bribery and Corruption Policy.

Further Reporting Mechanisms:

[Tenancy fraud](#) [Scams online](#) [Fraud online](#) [Whistleblowing Policy](#) [Benefit Fraud](#)

- Wales Audit Office Whistleblowers' Hotline 029 20 320 522
- Public Services Ombudsman for Wales 0300 790 0203
- Public Concern at Work 020 3117 2520



6. Monitoring and Disclosures

The Council requires a number of disclosures to be made, to reinforce its counter-fraud culture. The primary policies in which disclosures are required relate to:

- Codes of Conduct (*Officers and Members*)
- Registers of Interest
- Register of Gifts and Hospitality
- Whistleblowing

In upholding strong standards of conduct and compliance, it is vital that we work in accordance with the full requirements of these policies and codes. All relevant interests, gifts, and hospitality, received in accordance with the respective policies, needs to be fully disclosed.

7. Counter-Fraud Response Plan

The Council's approach to counter-fraud includes a number of proactive and responsive elements.

Proactive

- Developing a counter-fraud culture to increase resilience to fraud;
- Preventing fraud through the implementation of appropriate and robust internal controls and security measures;
- Using techniques such as data matching to validate data and identifying anomalies;
- Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters.

Responsive

- Detecting fraud through data and intelligence analysis;
- Implementing effective whistleblowing arrangements;
- Investigating fraud referrals;
- Applying sanctions, including internal disciplinary, regulatory and criminal;
- Seeking redress, including the recovery of assets and money where possible.

The Council has a Counter-Fraud Plan in place as part of its Counter-Fraud Policy Framework as summarised below.



Counter Fraud Policy and Document Framework



Each of the above documents supports the Council to achieve one or more of its Counter-Fraud objectives as follows:

- **'Acknowledge'** and understand fraud risks
- **'Prevent'** and detect more fraud
- **'Pursue'** and punish fraudsters

These core documents need to be robustly applied, and adhered to, by all of us.

Included in Appendix C is a desktop guide for wide publicity and use across the Council.

8. Counter-Fraud Action Plan

The Audit Manager will produce a Counter-Fraud Action Plan on an annual basis to summarise the key Counter-Fraud work and initiatives scheduled for the financial year.

The Audit Committee will oversee the delivery of Counter-Fraud activities.



The Counter-Fraud and Corruption Action Plan

Ref.	Action Required	Timescale
Anti-fraud and Corruption Policies Updates (<i>Primary Policies</i>)		
1.	Fraud, Bribery and Corruption Policy Review and update the policy that guides the approach to preventing fraud, bribery and corruption, and managing suspected cases	<i>Review every two years</i>
2.	Fraud Response Plan Review and update the approach followed in the event of suspicions of fraud, bribery and corruption	<i>Review every two years</i>
3.	Money Laundering Policy and Procedure Review and update the policy that provides guidance, obligations and reporting arrangements.	<i>Review every two years</i>
4.	Whistleblowing Policy Review and update to ensure it meets best practice.	<i>Regular review (directed by Monitoring Officer.)</i>
5.	Prosecution Policy Review and update the policy that provides guidance on a decision to prosecute an individual in respect of a criminal investigation case.	<i>Review every two years</i>
Participation in Networks and Information Reviews		
6.	Fraud Network Attend meetings and correspond with Chief Auditors, Investigators and other like-minded professionals/relevant groups. To ensure we are up to date with national and regional attempted and committed frauds, and trends and intelligence.	<i>Ongoing</i>
7.	Senior Management Assurance Statements - Review Audit Investigation Team to review Directorate responses to their assurance statements on the prevention and detection of fraud, as part of the Council's fraud risk assessment.	<i>Twice a year</i>

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Ref.	Action Required	Timescale
8.	Directorate Risk Register - Review Audit Investigation Team to review Directorate Risks relating to fraud, bribery and corruption risks, to provide advice and guidance, and as part of the Council's fraud risk assessment.	<i>Twice a year</i>
Training and Awareness Raising		
9.	Counter-Fraud Training Develop an eLearning fraud-training package to roll out across the council.	Commencing July 2019
10.	Training/communication sessions Participate in International Fraud Awareness Week in November each year, working with the Council's Communications Team. Promote an anti-fraud culture and awareness raising at a local level.	Ongoing
Data Analytics & Proactive Fraud Reviews		
11.	National Fraud Initiative Participate in the data matching exercise on an ongoing basis to assist in the prevention and detection of fraud.	Ongoing
12.	Internal Audit Plan and Review The Internal Audit Plan is informed by CIPFA intelligence of local authority fraud risks, and wider organisation risks and information. The team actively reviews the effectiveness of controls in place to prevent and detect fraud, as part of their ongoing programme of work.	Ongoing



Glossary – Fraud Types

CIPFA Fraud and Corruption Tracker 2018

<p>1. Adult social care fraud</p> <p>Adult social care fraud can happen in a number of ways but the increase in personal budgets gives a greater opportunity for misuse.</p> <p>Investigations cover cases where:</p> <ul style="list-style-type: none"> • direct payments were not being used to pay for the care of the vulnerable adult • care workers were claiming money for time they had not worked or were spending the allocated budget inappropriately.
<p>2. Blue Badge fraud</p> <p>The Blue Badge is a Europe-wide scheme allowing holders of the permit to parking concessions which are locally administered and are issued to those with disabilities in order that they can park nearer to their destination.</p> <p>Blue Badge fraud covers abuse of the scheme, including the use of someone else's Blue Badge, or continuing to use or apply for a Blue Badge after a person's death.</p>
<p>3. Business rates fraud</p> <p>Business rates fraud is not a transparent landscape for the fraud investigator, with legislation making it difficult to separate between evasion and avoidance. Business rates fraud covers any fraud associated with the evasion of paying business rates including, but not limited to, falsely claiming relief and exemptions where not entitled.</p>
<p>4. Cautions</p> <p>Cautions relate to a verbal warning given in circumstances where there is enough evidence to prosecute, but it is felt that it is not in the public interest to do so in that instance.</p>
<p>5. Council tax fraud</p> <p>Council tax is the tax levied on domestic properties and collected by district and unitary authorities in England and Wales and levying authorities in Scotland.</p> <p>Council tax fraud is split into three sections:</p> <ul style="list-style-type: none"> • council tax single person discount (SPD) – where a person claims to live in a single-person household when more than one person lives there • council tax reduction (CTR) support – where the council tax payer claims incorrectly against household income • other types of council tax fraud – e.g. claims for exemptions or discounts to which the council tax payer has no entitlement.
<p>6. Debt fraud</p> <p>Debt fraud includes fraudulently avoiding a payment of debt to an organisation, excluding council tax discount.</p>
<p>7. Disciplinary outcomes</p> <p>Disciplinary outcomes relate to the number of instances where, as a result of an investigation by a fraud team, disciplinary action is undertaken, or where a subject resigns during the disciplinary process.</p>
<p>8. Economic and voluntary sector (grant fraud)</p> <p>This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation.</p>
<p>9. Housing fraud</p> <p>Fraud within housing takes a number of forms, including sub-letting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, abandonment, or right to buy.</p>



<p>10. Insurance fraud</p> <p>This fraud includes any insurance claim that is proved to be false, made against the organisation or the organisation's insurers.</p>
<p>11. Mandate fraud</p> <p>Action Fraud states that: "mandate fraud is when someone gets you to change a direct debit, standing order or bank transfer mandate, by purporting to be an organisation you make regular payments to, for example a subscription or membership organisation or your business supplier".</p>
<p>12. Manipulation of data fraud</p> <p>The most common frauds within the manipulation of data relate to employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation. It also includes individuals using their position to change and manipulate data fraudulently or in assisting or providing access to a family member or friend.</p>
<p>13. No recourse to public funds fraud</p> <p>No recourse to public funds prevents any person with that restriction from accessing certain public funds. A person who claims public funds despite such a condition is committing a criminal offence.</p>
<p>14. Organised crime</p> <p>The Home Office defines organised crime as "including drug trafficking, human trafficking and organised illegal immigration, high value fraud and other financial crimes, counterfeiting, organised acquisitive crime and cyber crime".</p>
<p>15. Procurement fraud</p> <p>This includes any fraud associated with the false procurement of goods and services for an organisation by an internal or external person(s) or organisations in the 'purchase to pay' or post contract procedure, including contract monitoring.</p>
<p>16. Right to buy</p> <p>Right to buy is the scheme that allows tenants that have lived in their properties for a qualifying period the right to purchase the property at a discount.</p>
<p>17. Welfare assistance</p> <p>Organisations have a limited amount of money available for welfare assistance claims so the criteria for applications are becoming increasingly stringent. Awards are discretionary and may come as either a crisis payment or some form of support payment.</p>
<p>18. Whistleblowing</p> <p>Effective whistleblowing allows staff or the public to raise concerns about a crime, criminal offence, miscarriage of justice or dangers to health and safety in a structured and defined way. It can enable teams to uncover significant frauds that may otherwise have gone undiscovered. Organisations should therefore ensure that whistleblowing processes are reviewed regularly.</p>





A Desktop Guide to Reporting Cardiff Council Fraud, Bribery and Corruption

FRAUD is the dishonest intent to obtain a financial gain from, or cause a financial loss to, a person or party through false representation, failing to disclose information or abuse of position.

CORRUPTION/BRIBERY is the offering, promise, giving, requesting, agreeing to receive, or accepting a payment or other advantage to induce or reward a person to improperly carry out their duties

DO

- **Note your concerns**

Record details such as your concerns, names, descriptions, dates, times, details of conversations and possible witnesses. Time, date and sign your notes.

- **Retain or secure evidence**

Retain any evidence that may be destroyed, but do not alter or write on it in any way.

- **Report your suspicion promptly**

Confidentiality will be respected – delays may lead to further financial loss.

- **Be discreet**

Don't discuss your concerns with anyone who doesn't need to know.

DO NOT

- **Confront the suspect or convey concerns to anyone other than those authorised**

Never attempt to question a suspect yourself; this could alert a fraudster and place you at harm and jeopardise an investigation/put evidence at risk.

- **Try to investigate the concern yourself**

Never attempt to gather evidence yourself unless it is about to be destroyed; speak with the Council's Counter-Fraud Specialist as soon as possible for advice and guidance.

- **Be afraid of raising your concerns**

The Public Interest Disclosure Act 1998 protects employees who have reasonable concerns. You will not suffer discrimination or victimisation by following the correct procedures.

If you suspect that fraud against the Council has taken place, you must report it immediately:

- To your line manager in the first instance, where appropriate and
- To the Audit Manager (Chris Pyke) or the Section 151 Officer (Christopher Lee)
- Via email to the Group Auditor Investigations (d.hexter@cardiff.gov.uk)

Report Fraud, Bribery & Corruption – contact details:

Audit Manager

Internal Audit, County Hall, Cardiff. CF10 4UW

Telephone: 2087 2284

All calls will be treated in confidence and investigated by professionally trained personnel

Protecting your Council from Fraud, Bribery and Corruption

Your nominated **Counter-Fraud Specialist is David Hexter**, who can be contacted by telephoning **029 2087 2284**, or emailing d.hexter@cardiff.gov.uk
If you would like further information about Cardiff Council Fraud Activities, please visit our [SharePoint site](#).



Equality Impact Assessment
Corporate Assessment Template

Policy/Strategy/Project/Procedure/Service/Function Title: Counter-Fraud and Corruption Strategy
New/Existing/Updating/Amending: New

Who is responsible for developing and implementing the Policy/Strategy/Project/Procedure/Service/Function?	
Name: Chris Pyke	Job Title: Audit Manager, Operational Manager
Service Team: Internal Audit	Service Area: Resources
Assessment Date: 13/05/2019	

1. What are the objectives of the Policy/Strategy/Project/ Procedure/ Service/Function?

This Strategy is designed to develop and maintain a culture in which fraud, bribery and corruption are understood across the organisation as unacceptable, for which firm action is and will be taken to prevent and detect fraud loss, bring fraudsters to account quickly and efficiently, and to recover any losses.

Reporting Culture - raising awareness of fraud risk and accountability for reporting, through training, communication activities and policy reviews. Members of the public must also know how and when to raise concerns.

Strong Assurance - fraud risks must be understood, monitored and managed, to deliver strong Council-wide assurance on fraud risk management.

Ownership - Everyone working for the Council needs to understand their personal responsibility for supporting counter-fraud risk management. Managers should consider this in Personal Review objective setting.

2. Please provide background information on the Policy/Strategy/Project/Procedure/Service/Function and any research done [e.g. service users data against demographic statistics, similar EIAs done etc.]

‘Fraud costs the public sector at least £20.6bn annually, and of this total, £2.1bn is specifically in local government.’

The CIPFA Fraud and Corruption Tracker 2018 states that 17.8% of detected fraud in UK Local Authorities by volume, relates to disabled parking concession – individuals

CARDIFF COUNCIL

Equality Impact Assessment Corporate Assessment Template

without a legitimate blue badge, abusing the blue badge scheme.

The Investigation Team receives referrals from various sources, including members of staff and members of the public. The team produces quarterly progress reports to Audit Committee, which provide details of counter fraud activity including the number of and types of fraud referral. However, we do not currently have any equality monitoring data on the groups who are the subject of referrals. National publications and trends shape the risk assessment of fraud in Cardiff and determine the annual Investigation Team work plan.

Criminal investigations are conducted in accordance with the Police and Criminal Evidence Act, which sets out the rules relating to the treatment and questioning of persons under investigation.

Fraud from the public sector deprives vulnerable citizens of the help and support that they need.

3 Assess Impact on the Protected Characteristics

3.1 Age

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative/]** on younger/older people?

	Yes	No	N/A
Up to 18 years	X		
18 - 65 years	X		
Over 65 years	X		

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

Public funds should be more secure / zero tolerance to fraud. There is a shortage of affordable / local authority housing. CIPFA estimate housing fraud to cost £216m.

What action(s) can you take to address the differential impact?

There are no concerns that the policy could have a negative differential impact on people due to age. Increased work in this area would likely have a positive impact on the vulnerable.

3.2 Disability

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on disabled people?

CARDIFF COUNCIL

**Equality Impact Assessment
Corporate Assessment Template**

	Yes	No	N/A
Hearing Impairment	X		
Physical Impairment	X		
Visual Impairment	X		
Learning Disability	X		
Long-Standing Illness or Health Condition	X		
Mental Health	X		
Substance Misuse	X		
Other	X		

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

Public funds should be more secure / zero tolerance to fraud. Concerns relating to the abuse / misuse of residential (permit) parking and the blue badge scheme should be reported and therefore, there is a potential for more spaces to become available to those persons entitled to park. Additionally increased focus on tenancy fraud could also have a positive outcome.

What action(s) can you take to address the differential impact?

There are no concerns that the policy could have a negative differential impact on people due to disability.

3.3 Gender Reassignment

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on transgender people?

	Yes	No	N/A
Transgender People (People who are proposing to undergo, are undergoing, or have undergone a process [or part of a process] to reassign their sex by changing physiological or other attributes of sex)	X		

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

Public funds should be more secure / zero tolerance to fraud.

What action(s) can you take to address the differential impact?

There are no concerns that the policy could have a negative differential impact on people due to gender.

3.4. Marriage and Civil Partnership

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on marriage and civil partnership?

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**Equality Impact Assessment
Corporate Assessment Template**

	Yes	No	N/A
Marriage	X		
Civil Partnership	X		

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

Public funds should be more secure / zero tolerance to fraud.

What action(s) can you take to address the differential impact?

There are no concerns that the policy could have a negative differential impact on people due to marriage and civil partnership.

3.5 Pregnancy and Maternity

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on pregnancy and maternity?

	Yes	No	N/A
Pregnancy	X		
Maternity	X		

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

Public funds should be more secure / zero tolerance to fraud.

What action(s) can you take to address the differential impact?

There are no concerns that the policy could have a negative differential impact on people due to pregnancy and maternity.

3.6 Race

Will this Policy/Strategy/Project//Procedure/Service/Function have a **differential impact [positive/negative]** on the following groups?

	Yes	No	N/A
White	X		
Mixed / Multiple Ethnic Groups	X		
Asian / Asian British	X		
Black / African / Caribbean / Black British	X		
Other Ethnic Groups	X		

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

Public funds should be more secure / zero tolerance to fraud.

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**Equality Impact Assessment
Corporate Assessment Template**

What action(s) can you take to address the differential impact?
There are no concerns that the policy could have a negative differential impact on people due to race.

3.7 Religion, Belief or Non-Belief

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on people with different religions, beliefs or non-beliefs?

	Yes	No	N/A
Buddhist	X		
Christian	X		
Hindu	X		
Humanist	X		
Jewish	X		
Muslim	X		
Sikh	X		
Other	X		

Please give details/consequences of the differential impact, and provide supporting evidence, if any.
Public funds should be more secure / zero tolerance to fraud.
What action(s) can you take to address the differential impact?
There are no concerns that the policy could have a negative differential impact on people due to religions, beliefs or non-beliefs.

3.8 Sex

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on men and/or women?

	Yes	No	N/A
Men	X		
Women	X		

Please give details/consequences of the differential impact, and provide supporting evidence, if any.
Public funds should be more secure / zero tolerance to fraud.
What action(s) can you take to address the differential impact?
There are no concerns that the policy could have a negative differential impact on men and/or women.

3.9 Sexual Orientation

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Equality Impact Assessment Corporate Assessment Template

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on the following groups?

	Yes	No	N/A
Bisexual	X		
Gay Men	X		
Gay Women/Lesbians	X		
Heterosexual/Straight	X		

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

Public funds should be more secure / zero tolerance to fraud.

What action(s) can you take to address the differential impact?

There are no concerns that the policy could have a negative differential impact on people due to Sexual Orientation.

3.10 Welsh Language

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on Welsh Language?

	Yes	No	N/A
Welsh Language			X

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

What action(s) can you take to address the differential impact?

4. Consultation and Engagement

What arrangements have been made to consult/engage with the various Equalities Groups?

A copy of the strategy and Equality Impact Assessment (EIA) was shared with the Equality Team, the potential was discussed with two lead equality officers and the content of the EIA was amended as appropriate to cover the advice received.

The Corporate Director Resources attended the Trade Union partnership meeting on the 17th June 2019 and provided an opportunity to discuss the strategy.

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**Equality Impact Assessment
Corporate Assessment Template**

5. Summary of Actions [Listed in the Sections above]

Groups	Actions
Age	The actions required are generic to all groups and included below.
Disability	The actions required are generic to all groups and included below.
Gender Reassignment	The actions required are generic to all groups and included below.
Marriage & Civil Partnership	The actions required are generic to all groups and included below.
Pregnancy & Maternity	The actions required are generic to all groups and included below.
Race	The actions required are generic to all groups and included below.
Religion/Belief	The actions required are generic to all groups and included below.
Sex	The actions required are generic to all groups and included below.
Sexual Orientation	The actions required are generic to all groups and included below.
Welsh Language	The actions required are generic to all groups and included below.
Generic Over-Arching [applicable to all the above groups]	<p>In order to achieve the aims of the Strategy, the approach must be accessible and inclusive in respect of the needs of all individuals within the Council, service providers / users and the citizens of Cardiff.</p> <p>A communications lead has been appointed to ensure that the awareness campaign is tailored and relevant to the intended audience, taking into account the relevant demographics.</p> <p>A fraud awareness, eLearning module has been procured from an external supplier, this has been tailored in-house to the needs of the Council and incorporates the Counter-Fraud and Corruption Strategy. It is suitable for a wide audience and will be translated into Welsh.</p> <p>Various communication methods will be utilised, which may include, Twitter, Facebook, press releases, communications briefings. Workshops, face-to-face training and drop in sessions will also be offered to ensure that individuals based at satellite locations and non-computer users are fully engaged.</p> <p>Taking the above into account, there will be no adverse impact on any Equality groups or Protected Characteristics, as the Strategy will support the Council in its duty to protect public funds from illegal activity and to comply with legislation. In fact, the deterrence of fraud will be of general benefit to all groups. Robust processes dealing with fraud, will reinforce the integrity of the Council.</p>

CARDIFF COUNCIL

Equality Impact Assessment Corporate Assessment Template

6. Further Action

Any recommendations for action that you plan to take as a result of this Equality Impact Assessment (listed in Summary of Actions) should be included as part of your Service Area's Business Plan to be monitored on a regular basis.

7. Authorisation

The Template should be completed by the Lead Officer of the identified Policy/Strategy/Project/Function and approved by the appropriate Manager in each Service Area.

Completed By : David Hexter	Date: 11 th June 2019
Designation: Group Auditor (Investigations)	
Approved By: Chris Pyke	17 th June 2019
Designation: Audit Manager, Operational Manager	
Service Area:	Resources

- 7.1 On completion of this Assessment, please ensure that the Form is posted on your Directorate's Page on CIS - *Council Wide/Management Systems/Equality Impact Assessments* - so that there is a record of all assessments undertaken in the Council.

For further information or assistance, please contact the Citizen Focus Team on 029 2087 2536 / 3262 or email equalityteam@cardiff.gov.uk

AUDIT COMMITTEE: 25 JUNE 2019

INTERNAL AUDIT ANNUAL REPORT 2018-19**REPORT OF THE AUDIT MANAGER****AGENDA ITEM: 12.3**

Reason for this Report

1. The Audit Committee's Terms of Reference requires that Members consider the Audit Manager's annual report including the:
 - opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control
 - summary of the work supporting the opinion the statement of the level of conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN), and
 - results of the Quality Assurance and Improvement Programme (QAIP) that support the statement.

Background

2. The Internal Audit Charter 2018-19 and the Audit Plan 2018-19, were approved by the Audit Committee on 27 March 2018, to document matters including the purpose, authority and responsibility of the Audit Section, and the planned audit programme of work. The Audit Charter was incrementally adjusted and approved by Audit Committee on 13 November 2018, to formalise the responsibilities and authority of the new Audit Manager (Chief Audit Executive), following appointment in October 2018.
3. During the year, the Audit Committee has received detailed progress reports outlining the work and progress against the Audit Plan, as well as the key findings, trends and risk-based changes to planned work. The Audit Committee has also received assurance from the Audit Manager throughout 2018 on ongoing organisational independence, and continued conformance with the Public Sector Internal Audit Standards (PSIAS).
4. In line with the provisions of the PSIAS (1100), organisational independence has been achieved throughout 2018/19. The Audit Manager reports administratively to the Head of Finance (Deputy Section 151 Officer) and has direct reporting access to the Chief Executive, the Chair of Audit Committee and all elected Members where required. The same direct access was available to the Head of finance during his period of management, who reported administratively to the Corporate Director Resources (Section 151 Officer).
5. The Annual Report (attached at Appendix A) provides a review of internal control environment of the Council and the opinion of the Audit Manager. The report details the audit work completed to support the opinion, and assurance of ongoing conformance with the PSIAS, as reaffirmed through annual review against the CIPFA Local Government Application Note (as updated for 2019) and the results of the Quality Assurance and Improvement Programme (QAIP).

Issues

6. The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and internal control. In addition, the Council has a duty to prepare an annual governance statement. The Council's Draft Annual Governance Statement (AGS) has been considered earlier in this Committee meeting. Contained within the draft AGS is the annual Audit Manager opinion, as included within the Annual Report.
7. The Annual Report sets out that, based on the programme of audit work undertaken to assess internal controls and reviews of governance and risk management arrangements, the application of the overall framework for control within the Council for 2018/19 is considered as 'effective with opportunity for improvement'. Section 2 of the report contains the opinion and sets out the rationale of how internal control has been reviewed.
8. Sections 3 and 4 summarise the work performed, provide details of audit reports issued, and the progress made against recommendations raised. Internal Audit completed 120 audit engagements in 2018/19 through which 314 recommendations were accepted by management. Overall, 67% of recommendations raised were completed within the agreed timeframe, for which ongoing attention is given through regular following up progress with audit clients, and the practice of reporting all recommendations and management progress updates to the Audit Committee, at each Committee meeting.
9. The QAIP is, according to the PSIAS '*designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.*' The QAIP developed for Cardiff Council's Internal Audit Team has been included in a recent compilation of good practice CIPFA case studies 'Leading internal audit in the public sector – principles into practice, 2019'.
10. The Annual Report outlines how, through application of the QAIP, assurance is provided of ongoing conformance with the PSIAS and application of the Code of Ethics. An element of the review was an Audit Manager assessment against the LGAN, which breaks down the requirements of the PSIAS into a detailed self-assessment of conformance. Through this review, the Audit Manager can report conformance with the PSIAS, supported by the LGAN through the operation of the Internal Audit Team and its work, upon which the annual opinion is provided.
11. The Internal Audit function remains committed to delivering the highest professional standards and the Annual Report details the methods and key performance measures. The report highlights that 78% of audit reports were delivered within six weeks. Audit client feedback continues to be positive overall with 79% of responses identifying that audit offered added value to managers. Sustained focus is given to maintaining and improving the diverse skills and professional qualifications of the Internal Audit Team. Auditor staff hold various qualifications appropriate to their work, including CIPFA, IIA and AAT. At the end of 2018/19, three members of staff (2.5 FTE) were being supported in their studying for the CIA qualification of which two were studying towards their final exam.
12. The Annual Report includes a number of appendices. These include a full account of the audit reports issued, cancelled and deferred through the year, the QAIP process applied, and new and closed actions within the PSIAS Action Plan, following annual Audit Manager review. The PSIAS Action Plan progress will continue to be monitored and periodically reported to the Audit Committee throughout 2019.

Legal Implications

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

Financial Implications

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

RECOMMENDATIONS

15. That the Committee note and consider the Internal Audit Annual Report, including the:

- opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control
- summary of the work supporting the opinion the statement of the level of conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN), and
- results of the Quality Assurance and Improvement Programme (QAIP) that support the statement.

CHRIS PYKE
AUDIT MANAGER

25 June 2019

The following report is attached:

Appendix A - Internal Audit Annual Report 2018-19

Mae'r dudalen hon yn wag yn fwriadol



Internal Audit Annual Report 2018/19

Cardiff Council

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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FOR FURTHER INFORMATION, PLEASE CONTACT:

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Audit Manager

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1. INTRODUCTION

Background

- 1.1. Management are responsible for the system of internal control and must set in place policies and procedures to ensure that the internal controls are robust and functioning correctly, to effectively address and mitigate risks to the delivery of objectives across the organisation. Internal Audit acts as an assurance function providing an independent and objective opinion on the Council's control environment by evaluating its effectiveness in achieving objectives.
- 1.2. The Internal Audit Team has an important role as set out in the Public Sector Internal Audit Standards (PSIAS), to provide professional, independent and objective assurance advice and insight. The internal audit service is one of the key elements of good governance, and its mission is *'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*
- 1.3. The Internal Audit Team operates in accordance with the Public Sector Internal Audit Standards (PSIAS). In order to demonstrate conformance with the PSIAS, the Audit Manager has established a Quality Assurance and Improvement Programme (QAIP). This is summarised within Section 4 of this report, through which there is a process of ongoing monitoring, periodic review, and 5-yearly external review to accord to PSIAS Standard 1300. The QAIP is designed to provide confidence to those relying on the Internal Audit Team's work on the professional standards applied and the quality of services.
- 1.4. The Audit Committee's terms of reference includes the consideration of the Council's arrangements relating to internal audit, including the Internal Audit Annual Report and monitoring the performance of the Internal Audit section. Accordingly, performance reports are provided to the Audit Committee in each meeting throughout the year, and the annual report is presented to the Committee for consideration and comment.

The Annual Reporting Process

- 1.5. The annual report gives an overview of audit performance during 2018/19, seeks to provide an opinion on the adequacy of the control environment in Cardiff Council, and reports the incidence of any significant control weaknesses.
- 1.6. The annual report includes:
 - (a) The Audit Manager's opinion on the Council's control environment;
 - (b) A summary of the work that supports the opinion; and

- (c) A statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme.

Requirement for Internal Audit

- 1.7. The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and system of internal control. The Council also has a duty to prepare an Annual Governance Statement. The Audit Manager's opinion on the Council's control environment from this report is included within the Annual Governance Statement, to provide independent assurance to the Council's stakeholders based on the Internal Audit's programme of work.
- 1.8. The Audit Manager (the Chief Audit Executive – CAE - for the purpose of the Standards) must provide an annual internal audit opinion and report, timed to support the Annual Governance Statement, and conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. In doing so, the Audit Manager undertakes an assessment of the adequacy of the controls in place to support the achievement of management and corporate objectives.

Independence and Objectivity (PSIAS standard 1100).

- 1.9. For the first two financial quarters of 2018/19, the Head of Finance was the Acting Internal Audit Manager. Mitigations approved by the Audit Committee in the Audit Charter 2018/19 ensured that the principles of independence and objectivity were upheld, as the Head of Finance had no involvement in overseeing the audit of any function within his span of control. From 1 October 2018, a full time Audit Manager was appointed who does not manage any functions other than the Internal Audit and Investigations Teams.
- 1.10. Organisational independence has been achieved throughout 2018/19. The Audit Manager reports administratively to the Head of Finance (Deputy Section 151 Officer) and has direct reporting access to the Chief Executive, the Chair of Audit Committee and all elected Members where required. The same direct access was available to the Head of finance during his period of management, who reported administratively to the Corporate Director Resources (Section 151 Officer).
- 1.11. Internal Auditors are required to undertake audits in line with the provision of the PSIAS and in accordance with the Codes of Ethics of any professional bodies of which they are members. The importance of independence is communicated to auditors and care is taken to ensure that all audit work is undertaken in an independent and objective manner.

1.12. The PSIAS requires any conflicts of interest or impairment to independence or objectivity to be disclosed. Each year, all members of the Internal Audit section are required to complete a Staff Declaration Statement (and update it if circumstances change during the year). This identifies any potential conflict of interest that any member of the Audit team may have, which is considered when assigning audits. There have been no conflicts of interest of impairment to independence or objectivity for the financial year 2018/19.

2. **REVIEW OF INTERNAL CONTROL AND OPINION**

Opinion 2018/19 (PSIAS standard 2450)

2.1 The PSIAS state that the 'Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.' This must be based upon an objective assessment of the framework of governance, risk management and control. It must also include an evaluation of the adequacy and effectiveness of controls in responding to risks within the governance, operations and information systems.

2.2 This opinion has been prepared by the Audit Manager, based on the provisions of the PSIAS. In preparing and forming this opinion, assurance has been taken from a number of sources, including:

- *Assurance Audit Assignments* – work undertaken through the risk-based annual audit plan, with delivery prioritised to maximise assurance and added value. The audit plan is responsive to risk and informed by audit information and existing assurances, information from Senior Management, and monitoring of Council activity, strategy, risks, and wider assurance sources.
- *Discussion with Senior Managers* – quarterly relationship manager meetings with Directors, Audit Manager attendance at Assurance Senior Management Team meetings, and regular meetings with the Corporate Director Resources (Section 151 Officer) and the Chief Executive.
- *Consultancy* - advice and guidance offered generally or on specific matters, including the design and development of new processes, such as Procure to Pay (P2P) and a wider process and control reviews, such as a Service Review for Social Services.
- *Risk & Governance* – assurance reviews on the co-ordination of the Corporate Risk Register, the management disclosures which support the Annual Governance Statement, and wider governance reviews (including programmes and projects and financial / contract procedures).

2.3 Based on the programme of audit work undertaken to assess internal controls and reviews of governance and risk management arrangements, it is considered that the application of the overall framework for control within the Council for 2018/19 is ***effective with opportunity for improvement***.

This opinion is based on the delivery of a comprehensive audit plan, and an acknowledgment of the increasing pressure on resources in both demand and budgets, which has been managed through a resilient performance culture.

2.4 The control environment for core financial systems, and for the majority of audits overall (70%) was considered as adequate, and allocated an effective audit opinion. Twenty audits have been given an audit opinion of “insufficient with major improvement needed” recognising the need for attention to achieve sound controls, and six audits were given “unsatisfactory” opinions in certain Schools, School Traded Services, and areas of Waste Management. Allegations of fraud isolated within the Waste Management Service have been robustly investigated and are being managed in accordance with the Council’s disciplinary policy, and through Police liaison. Audit assurance and support, targets and follows up on the highest risk areas.

How internal control is reviewed

2.5 Internal Audit uses a risk-based approach to audit planning, in accordance with Section 2010 of the PSIAS. The Council’s Corporate Risk Register was used to form the basis of the annual audit plan for 2018/19 and assurance was obtained from both within and outside the Council to ensure that suitable audit time and resources are devoted to the more significant areas. This risk-based approach to audit planning captures emerging risks and issues and results in a comprehensive range of audits that are undertaken to support the overall opinion on the control environment.

2.6 For 2018/19, the audit assurance opinion definitions were used as outlined in the table when allocating an audit opinion. These assurance levels and definitions were based on those developed by the Institute of Internal Auditors (IIA).

Assurance level	Definition
Effective	<ul style="list-style-type: none"> • The controls evaluated are adequate and appropriate • The control environment appears sound to provide reasonable assurance that all high level risks are adequately controlled • No findings noted (or a small number of low risk recommendations)
Effective (with opportunity for improvement)	<ul style="list-style-type: none"> • A few specific control weaknesses and/or opportunities for improvement were noted • Controls evaluated are otherwise adequate and appropriate to provide reasonable assurance that risks are adequately controlled

Insufficient with major improvement needed	<ul style="list-style-type: none"> • Some high level risks are not adequately controlled • Numerous specific control weaknesses were noted • Although immediate soundness and safety are not threatened, the control environment requires improvement as it does not provide reasonable assurance that all high level risks are adequately controlled • There may be a risk of exposure to fraud or security vulnerabilities
Unsatisfactory	<ul style="list-style-type: none"> • The control environment is not adequate and is below standard • The control environment is considered unsound • A lack of attention could lead to significant losses

2.7 The table below sets out the Red / Amber / Green (RAG) ratings given for recommendations and information on the criteria applied when allocating the risk rating,.

Rating	Criteria
Red	<p>This is a high priority issue and immediate attention is required. This is a serious internal control or risk management issue that, if not mitigated, may (with a high degree of certainty) lead to:</p> <ul style="list-style-type: none"> • Substantial losses, possibly in conjunction with other weaknesses in the control framework or the organisational entity or process being audited • Serious violation of Council strategies, policies or values • Serious reputational damage • Significant adverse or regulatory impact, such as loss of operating licenses or material fines <p>Examples are:</p> <ul style="list-style-type: none"> • A policy / procedure does not exist for significant Council processes • Preventative, detective and mitigating controls do not exist • Council reputation or financial status is at risk • Fraud or theft is detected • Council is not in compliance with laws and regulations
Red / Amber	<p>This is a medium priority issue and timely management action is warranted. This is an internal control or risk management issue that could lead to:</p> <ul style="list-style-type: none"> • Financial losses • Loss of controls within the organisational entity or process being audited • Reputation damage • Adverse regulatory impact, such as public sanctions or immaterial fines <p>Examples are:</p>

	<ul style="list-style-type: none"> • A policy exists but adherence is inconsistent • Preventative and detective controls do not exist, but mitigating controls do exist • The Council's compliance with laws and regulations requires additional evaluation and review • There is a possibility of inappropriate activity
Amber / Green	<p>This is a low priority issue and routine management attention is warranted. This is an internal control or risk management issue, the solution to which may lead to improvement in the quality and / or efficiency of the organisational entity or process being audited.</p> <p>Examples are:</p> <ul style="list-style-type: none"> • A policy exists, but was not adhered to on an exception basis • Preventative controls do not exist, but detective and mitigating controls exist • There is a remote possibility of inappropriate activity
Green	Best practice

2.8 Audits continue to highlight system weaknesses in some areas and / or compliance issues which identify further opportunities to enhance control. The Council has over a number of years lost a considerable number of officers with experience and knowledge, resulting in process and role changes in order to absorb the impact. The pressure to change services due to constrained financial resources being available is bringing with it new challenges and risks that need to be managed.

2.9 The Internal Audit approach is informed by this risk, and an inherent prioritisation is given to providing assurance on core financial systems, and areas of governance ahead of more localised service specific audits. The actual audits allocated are based on the application of a risk-based planning process, informed by wider sources of intelligence and assurance.

2.10 The audit plan in 2018/19 continued an approach to allocating resources to audit assurance themes across the Council. These were:

- (a) Partnership and Collaborative Governance
- (b) Budgeting and Forecasting
- (c) Effective Decision Making
- (d) ICT Governance

2.11 The thematic audits have not provided any adverse audit opinions, and key issues coming out of the work have been reported to meetings of the Audit Committee during the year. This is with the exception of the work in respect of ICT governance, for which a corporate draft action plan has recently

been published, and school Control Risk Self-Assessment (CRSA) returns were received at the financial year-end, for which in year testing will follow in 2019/20. A further package of thematic audits, relating to value for money assurances were in progress at the financial year end, for which the outputs will be received in 2019/20.

2.12 Internal Audit continues to provide training on internal control as part of the Cardiff Manager Programme. This training provides a platform in raising awareness with managers around these key areas of governance and has helped clarify and set out their responsibilities for leading on compliance.

3. SUMMARY OF WORK PERFORMED

3.1 Internal Audit, as defined in the PSIAS, encompasses the whole internal control system and is not limited to financial controls. It is defined as helping ‘... *an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*’ The nature of audit services is as outlined in the Audit Charter and the Audit Plan documents the listing of actual audit engagements, both of which were considered and approved by the Audit Committee in meetings in January and March 2018.

3.2 A listing of the audit engagements delivered in 2018/19 is attached in **Appendix A**, whereby 120 audit engagements were completed against an original plan of 156 audits (77%). The audit plan is responsive to risk and, accordingly, some audits were added, deferred and cancelled during the financial year, at which point details were reported to the Audit Committee. Information on audits cancelled and deferred, and those ongoing at the financial year-end are also disclosed within Appendix A.

3.3 The overall level of audits delivered in 2018/19 has continued to increase slightly from prior years, which can be attributed to an increased level of CRSA style audits which provide a more efficient approach of management review and Internal Audit validation. The Audit Manager appointed also introduced a new output focussed performance management approach from quarter 2 2018/19, which is documented in the section of this report on the Quality Assurance and Improvement Programme (QAIP).

3.4 Assurance audit engagements will generally result in an audit opinion, whereas audit work of a consultation or advisory nature will not typically assign an assurance rating due. The listing of assurance and consultancy audit engagements completed is included in Appendix A. It should be noted that CRSA style audits are typically shown as consultancy at the point of completion by the directorate, as the audit opinion is provided upon once sufficient in-year testing has been completed which follows the original CRSA receipt, advice and guidance to management. Details of all audits and audit opinions,

together with other tasks performed and key performance indicators, are reported quarterly to the Chief Executive and Section 151 Officer and at each meeting of the Audit Committee so officers and members are regularly updated and aware of any matters arising from audit work.

3.5 The audit reports issued in 2018/19 and the assurance levels given are shown in the table below:

Status	Number of reports	Opinion				
		Effective	Effective with opportunity for improvement	Insufficient (major improvement needed)	Unsatisfactory	No opinion given
Draft	33		14	4	2	13
Final	87	17	30	16	4	20
TOTAL	120	17	44	20	6	33

3.6 When the reports are analysed over the different areas of the audit plan, the following can be seen:

Audit Area	Effective	Effective with opportunity for improvement	Insufficient (major improvement needed)	Unsatisfactory	No opinion given	TOTAL
Fundamental	2	2	1		3	8
Corporate Governance	2	2			3	7
Other Assurance		8	3	1	3	15
Planning, Transport & Environment	1	7	3	1	7	19
Housing and Communities	2	3	1		2	8
Economic Development	2	4	4		1	11
Education	1	7	5	4	5	22
Governance & Legal Services	3	1			2	6
Resources		3			1	4
Social Services	3	3	1		3	10
External & grants	1	4	2		3	10
TOTAL	17	44	20	6	33	120

3.7 It can be seen in Appendix A that a number of audits have been given an audit opinion of “insufficient with major improvement needed” recognising the need for attention to achieve sound controls, and six audits were given “unsatisfactory” opinions in certain Schools, School Traded Services, and areas of Waste Management. Audit assurance and support, targets and follows up on the highest risk areas.

3.8 It should be recognised that not all of the work undertaken by the Audit team results in an audit report or grant certificate. Work is undertaken in areas that provide assurance on risk management and internal control, including advice and guidance (both on current issues and on system development) and interpretation of Council Regulations. **Appendix B** provides a list of work areas where an audit report may not be the outcome.

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

Reports to the Audit Committee

3.10 An important role of the Audit Committee is to oversee the role and performance of the Council’s Internal Audit team. In addition, Internal Audit is required to inform the Audit Committee about the adequacy of the Council’s governance and internal control systems. The table below summarises the information the Audit Committee has received from Internal Audit during 2018/19.

Report	Purpose
Internal Audit update reports	<p>Regular summaries of the performance of Internal Audit, the audit work scheduled and completed, and the critical findings and trends.</p> <p>This has supported the Audit Committee to discharge its role in 2018/19 in overseeing:</p> <ul style="list-style-type: none"> • the work and performance of audit, and • the adequacy of council governance, risk management and internal control
Annual Audit Plan 2018/19	The work programme for 2018/19 was approved just prior to the start of the financial year, any changes or updates were provided for comment and observation to the Audit Committee.
Annual Audit Plan 2019/20	The intended work programme for 2019/20 was provided for comments, observations and approval on 2 April 2019 by the Audit Committee.
Annual Report 2017/18	Overview of the work undertaken by Internal Audit and gave the CAE’s opinion in respect of the Council’s internal control environment for 2017/18

PSIAS Updates	Following the outcome of the peer assessment, which was reported to Audit Committee in March 2018, Committee has received regular progress updates on the PSIAS action plan throughout 2018/19.
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4. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

Requirements and Assurance (PSIAS Standard 1300)

4.2 Internal Audit is committed to working to the highest professional standards, and to delivering quality services that add value for senior management. The Audit Manager maintains a Quality Assurance and Improvement Programme (QAIP), which is designed to achieve high professional performance operating in accordance with PSIAS and the Code of Ethics. The QAIP is summarised in **Appendix C**, and included in the Internal Audit Charter.

4.3 The QAIP developed for Cardiff Council’s Internal Audit Team is based on a performance management approach to delivering ‘output focussed – quality controlled’ audit services. The approach in Cardiff has been included in a recent compilation of good practice CIPFA case studies ‘Leading internal audit in the public sector – principles into practice, 2019’.

4.4 The PSIAS provides the following outline of the QAIP.

‘A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity’s conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.’

4.5 The quality assurance and improvement programme must include both internal and external assessments, the requirements, and the review process applied by the Audit Manager are documented in the table below.

Requirements		Process of Review and Conformance
INTERNAL ASSESSMENTS	Ongoing monitoring of the performance of the internal audit activity.	Each auditor has monthly monitoring, mid-audit reviews, and quality assurance reviews prior to issuing draft reports, to ensure that all audits are complete, of a high professional standard, and delivered in conformance with the PSIAS and the Code of Ethics. A range of performance information is reported and monitored on a balanced scorecard basis as outlined in Appendix C.

		<p>The Audit Manager considers and reports on the performance information that makes up the QAIP in each Audit Committee Progress Report, through which any non-conformance would be disclosed.</p>
	<p>Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.</p>	<p>At regular intervals, the Audit Manager considers and reports on the PSIAS Action Plan and progress to the Audit Committee.</p> <p>On an annual basis the Audit Manager considers the QAIP performance for the year as a whole, reflecting on the ongoing assurance framework information and outputs, and through the following annual activities:</p> <ul style="list-style-type: none"> • Completing a self-assessment against the Local Government Application Note • Reviewing performance against the CIPFA Statement on ‘The role of the Head of Internal Audit’ • Reviewing the results of the skills assessment exercise completed by all members of the Internal Audit Team, in application of the IIA Competency Framework. • Reviewing the annual Personal Reviews for all members of the Internal Audit Team. <p><i>The Audit Manager is a qualified accountant and a chartered member of the Institute of Internal Auditors.</i></p>
EXTERNAL ASSESSMENTS	<p>Conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.</p>	<p>The External Peer Assessment was completed by the Head of Audit from Rhondda Cynon Taf and reported to Audit Committee in March 2018.</p> <p>The Local Authority Welsh Chief Internal Auditor Group is developing a forward plan which will ensure that external assessments are delivered within the required frequency to report on ongoing conformance with the PSIAS.</p>

4.6 Through application of the QAIP, assurance can be provided of ongoing conformance with the PSIAS and application of the Code of Ethics. Following the annual review against the CIPFA Local Government

Application Note (as updated for 2019), and a review of progress against the existing PSIAS Action Plan, the year-end status, is provided in **Appendix D**. The PSIAS Action Plan progress will continue to be monitored and periodically reported to the Audit Committee throughout 2019.

Performance and Benchmarking

- 4.7 An audit planning control database is maintained to effectively monitor work done in line with that planned. The database is used to allocate engagements, record work completed and to provide key performance information for management. Auditors are required to complete timesheets to record work undertaken, so management can continually assess productivity and progress against the Plan.
- 4.8 The achievement of the service delivery plan actions is monitored using the planning and control database; the quarterly results are reported to the Finance Management Team by the Audit Manager and discussed with the audit team. The cumulative quarterly results for 2018/19 are:

Performance Indicator	Target	Results			
		Q1	Q2	Q3	Q4
The percentage of the audit plan completed	80%	25%	35%	49%	77%
The percentage of audit reports delivered within six weeks	78%	80%	63%	69%	78%
The average number of audit productive days per employee	170	38	69	105	142
The average number of audit reports produced per FTE	10	3	5	8	12
The percentage of audit recommendations implemented within the agreed timescale	90%	77%	56%	74%	67%

- 4.9 Whilst the overall output and delivery for the year was in line with the targets set, the productive days and levels of recommendations implemented within the agreed timescale were below target for 2018/19. The shortfall in productive days was materially impacted by investment in personal development and notably training, which is recorded as a non-productive activity in line with CIPFA guidelines. A significant amount of study allocation commenced midway through 2018/19 as the team resource from this point forward included a CIPFA trainee. Four other auditors had been studying towards an IIA qualification during the year, for whom training time was also required. A second contributing factor to the lower than anticipated productive time, was the participation of one team member in Trade Union duties, for which the level of involvement was greater than anticipated.

- 4.10 The level of audit recommendations delivered in the agreed timeframe was below target. Achieving this measure is an ongoing challenge. Auditors are getting better at following up on red and red/amber recommendations more frequently. However, it has been recognised that the green and amber/green recommendations require an improved monitoring regime, and this has been established with a member of the audit team taking up this role actively in 2019/20.
- 4.11 The Cardiff Audit Team is a member of the Welsh Chief Auditors and UK Core Cities Local Authority benchmarking groups. The outputs from the Welsh Chief Auditor group for 2017/18 were presented to the Audit Committee in June 2018, and included in the Internal Audit Annual Report 2017-18. There was no exercise completed last year in respect of the Core Cities benchmarking group.
- 4.12 At the time of writing, the Audit Team has submitted its data for the 2018/19 Core UK Cities benchmarking exercise, and is preparing to respond to the Welsh Chief Auditors benchmarking exercise within the required timescales. Any benchmarking information is reported on a timely basis to the Audit Committee as part of the Internal Audit Progress Report item included within every Committee meeting. The 2018/19 benchmarking information will be reported to the next available Audit Committee meeting once the outputs are received.

Quality Assurance Review

- 4.13 Each audit is subject to a qualitative review by a senior member of the team to ensure the focus on key risks was retained throughout the audit engagement, that the objectives of the audit engagement have been met in full, and that the audit has been delivered in accordance with the PSIAS and the Code of Ethics. Any report with a draft assurance rating of “unsatisfactory” or “insufficient with major improvement needed”, or any with a significant finding is referred to the Audit Manager. The Audit Manager will review all reports with the above draft assurance ratings, and will bring the report to the next Audit Management Team to gain a professional consensus on the audit opinion and priority recommendations for improvement.
- 4.14 Following the issue of a draft audit report, a meeting is held with the Client Manager with an opportunity for them to consider the audit findings, proposed recommended actions, the risk profile and the indicative response to be made by the service. This provides a degree of assurance that the final reported position is accurate and that any recommendations are understood.

Post Audit Assessment & Customer Feedback

- 4.15 A ‘Post Audit Assessment’ is carried out as part of an ongoing commitment to quality, through a reflection on the performance of the auditor at the end of each audit. The Post Audit Assessment sets

out the core competencies required whilst undertaking an audit and the auditor for each assignment has to score their performance against each of these competencies. The assessment is useful in providing assurance that key competencies are evidenced throughout the audit process and as a means of identifying training needs. Analysing the assessments helps focus individual personal reviews and provides audit management with an overview of performance at the different grades.

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

4.17 During the year, 34 responses were received from the questionnaires issued. The results from the questionnaires are summarised in the table below:

	Excellent	Good	Satisfactory	Unsatisfactory	TOTAL
Communication	20	11	2	0	33
Auditor Advice	17	13	3	1	34
Report	11	14	6	1	32
Performance	21	9	4	0	34
TOTALS	69	47	15	2	133

4.18 It can be seen that the feedback from the audit questionnaires is positive, which is encouraging as the nature and complexity of the assignments continues to change. The perception of the professionalism and objectivity of the Internal Audit team by audit clients continues to be high.

4.19 The questionnaires also ask Managers to indicate whether they consider that the audit process added value and 79.4% of respondents thought that it did. "Added value" is defined for managers as whether the audit offered ways to enhance governance, risk management and control processes, and provided relevant assurance. It can be seen that the majority of the audit clients felt that the audits undertaken were constructive and added value.

4.20 The unsatisfactory audit opinion related to a payroll review in respect of Governance and Legal Services. The audit was undertaken in 2017/18, but the feedback was received in the financial year 2018/19. These client views were received as the senior officer felt that the audit fieldwork impacted on their operational time which could have been better considered, and the report originally included recommendations in draft which required further discussion before they could be removed. Adverse client comments are rare, but are always followed up by audit management and fully discussed as part of the post audit assessment process with auditors.

Audit Recommendations

4.21 The extent to which audit recommendations are agreed by senior managers is used as a measure of the auditor's performance as a high level suggests an understanding of the risks and controls within the area under review and adding value by proposing meaningful changes and cost effective changes.

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

Risk Rating	2018/19			By 31.03.19	
	Recommendations Raised	Recommendations Agreed	Percentage Agreed to Raised	Recommendations Implemented	Percentage Agreed to Implemented
Red	29	28	97%	6	21%
Red/Amber	118	113	96%	55	49%
Amber / Green	145	142	98%	46	32%
Green	31	31	100%	14	45%
TOTAL	323	314	97%	121	39%

4.23 The figures show that, with 97% of audit recommendations agreed, managers welcome ideas as to how governance or controls can be enhanced and it provides a degree of assurance that the auditor understands the risks for which management agree with the proposed course of action. The one red recommendation that was not accepted at the time of the audit related to updating the contract standing orders and procurement rules to appropriately outline requirements for partnership arrangements. Whilst this recommendation was not agreed at the time of the audit, the action was subsequently delivered through ongoing engagement with lead officers.

4.24 Important as it is that audit recommendations are agreed by managers, change will only happen if the recommendations are implemented and so audit reports are monitored until all actions are closed. The recommendations database on SharePoint is regularly analysed and details of all recommendations raised (and their status) are presented to each meeting of the Audit Committee. As at the end of March 2019, the recommendations agreed by management and actioned are shown in the table below:

Area	Recommendations Completed	Implemented in agreed timeframe	Percentage Implemented in agreed time
Schools	42	26	62%
Non-schools	79	55	70%
TOTAL	121	81	67%

Internal Audit Team Resources

4.25 As at 31st March 2019, the Internal Audit team has 12 members of staff (10.4 FTE) oversee by the Audit Manager, made up as in the table below:

Post	Number	FTE
Audit Manager	1.0	0.85 <i>(0.15 Investigations)</i>
Group Auditor	1.0	1.0
Principal Auditor	1.0	1.0
Senior Auditor	2.0	2.0
Auditor	6.0	4.4
CIPFA Trainee	1.0	1.0
Audit Assistant	1.0	1.0
TOTAL	12.0	10.4

4.26 There were some adjustments to staff resources during the year, and for the 2019/20 year ahead. A full time Audit Manager commenced in October 2018, following a period of Audit Team leadership by the Head of Finance, as part of a wider portfolio of responsibilities. Excluding the Audit Manager there were 10.4 FTE Audit Officers in post throughout 2018/19 and this will continue into 2019/20.

4.27 There were some in year changes to the composition of the audit team, but there was a balanced net resource available. These changes included a CIPFA Trainee joining the team midway through the year, and replacing an agency Principal Auditor. As part of budget savings for 2019/20, a proposal was made to give up unallocated resources within the team, to the value of £62,000. The proposal was discussed with, and accepted by, the Audit Committee for which the adjustment represented a continuation of the level of resources, which were currently in place for future years. The first component of the saving related to the formalisation of reduced hours for a member of the Internal Audit Team, and the second element related to the deletion of a Principal Auditor post, which had been vacant throughout 2018/19 whilst the post holder had been on a period of Secondment.

4.28 The budget for the section for 2018/19 is set out in the table below:

	Budget £(000)	Actual £(000)
Employees (overall cost)	549	525
<i>Employees (Investigations Team Component)</i>	<i>71</i>	<i>74</i>
Transport	3	1
Supplies and services	18	24
Support services (controllable)	49	49
GROSS EXPENDITURE	619	599

Continuing Professional Development (PSIAS standard 1230)

- 4.28 Internal Audit staff have a personal responsibility to maintain and develop their competencies, so that they have the necessary skills and knowledge to undertake audits to a high standard. The audit plan for 2018/19 included a budget of 61 days for training and staff are encouraged to update their skills, such as by attendance at relevant courses provided by the South Wales Chief Internal Auditor group, and suitable CIPFA or IIA courses when budget restrictions allow. Arrangements are also made for internal training, to update and refresh knowledge on various aspects of audit methodologies and Council procedures.
- 4.29 During 2018/19, four members of the team were being supported through a Certified Internal Auditor (CIA) qualification with the IIA. Two of these auditors have progressed to working towards their third and final exam, one auditor is working towards their first exam, and one auditor is no longer being supported for study in accordance with the post entry training process, following a number of unsuccessful attempts at the first exam.
- 4.30 The provisions of the Council's Personal Review process are fully supported in the section, and are an integral component of the performance management process, as outlined in the section on the QAIP and information included in Appendix C.
- 4.31 A skills exercise is undertaken annually by each auditor as a self-assessment, the results of which are taken into account in the personal review discussions. At the financial year-end 2018/19, the team have transitioned to using the IIA Internal Audit Competency Framework, which aligns to the mandatory elements of the PSIAS, and includes a more detailed assessment of a range of technical and behavioural qualities.
- 4.32 As part of the 2019/20 post entry training process, expressions of interest will be sought for specialist ICT audit training within the team, which is an area where the team would benefit from a lead specialist officer. During 2018/19, some IT audits were delivered through a procurement, and in the event that

specialist skills are required for which the team does not have the capacity or skills, resources will be bought in as necessary.

Experience and qualifications

4.33 Members of the section hold various qualifications appropriate to their work, including CIPFA, IIA and AAT. At the end of 2018/19, three members of staff (2.5 FTE) were being supported in their studying for the CIA qualification of which two are studying towards their final exam. The majority of staff in the Internal Audit team have over 10 years' experience in audit.

5. CONCLUSIONS

5.1 The performance at the beginning of 2018/19 was below target across performance measures, with a high number of days lost to sickness having an impact. The appointment of a full time Audit Manager mid-way through the year provided the managerial capacity to refocus the critical performance priorities around output and quality, and to establish this approach through a refresh of the quality assurance and improvement programme.

5.2 The team has responded well to the performance expectations, resulting in a recovery of the audit plan delivery to 77%, against a target of 80% for the year overall. A number of indicators of performance are positive, but there is a need to focus on supporting management to implement their recommendations within the agreed timescale, and to increase the number of productive days for team overall, whilst not impacting on personal and professional development opportunities. At the year-end, the team is awaiting the results of benchmarking from the Core UK Cities and Welsh Chief Auditor groups, and the outputs will be reflected upon, used to identify areas for attention, and communicated throughout the team and with the Audit Committee.

5.3 There is continued evidence that clients value the audit service, at a time when a greater trend of unsatisfactory audit opinions are being issued. Adverse audit findings and opinions are still limited to a small number of areas, but the team will remain vigilant moving into next year in testing the design and application of the governance and controls necessary to deliver a sound control environment.

5.4 The outcome of the QAIP annual self-review by the Audit Manager is of conformance with the PSIAS. There are areas for improvement, and these are included on the action plan within Appendix D, for which the progress will be reported to the Audit Committee at relevant intervals throughout 2019/20.

Audit Reports Issued

1. Effective / Effective with opportunity for improvement

Opinion	Audit Area	Status of report (if not final)
<i>Fundamental / High</i>		
EFFECTIVE	Council Tax - CRSA 2018-19	
	Council Tax - in-year testing 2017-18	
	Audit of governance arrangements 2018-19	
	City Operations - effective decision making 2018-19	
	Education - Partnerships and collaborative governance	
	Social Services - Budgeting and Forecasting	
	Social Services - effective decision making 2018-19	
	Audit of Risk Management arrangements 2017-18	
	Communities - Budgeting and forecasting	
	Communities - effective decision making 2018-19	
	Economic Development - Budgeting and forecasting	
	Economic Development - Partnerships and collaborative governance	
	Governance - effective decision making 2018-19	
	Governance - governance 2018-19	
	Governance and Legal Services - Budgeting and Forecasting 2018-19	
	Social Services - governance 2018-19	
EFFECTIVE OPPORTUNITY FOR IMPROVEMENT	Income and Debtors - 2018-19	
	Business Continuity 2018-19	
	City Deal	
	City Operations - governance 2018-19	
	Economic Development - commissioning and procurement 2017-18	
	Economic Development - governance 2018-19	
	Governance and Legal - Partnerships and collaborative governance	
	PTE - Budgeting and forecasting	
	Resources - commissioning and procurement 2017-18	
	Resources - governance 2018-19	

Opinion	Audit Area	Status of report (if not final)
	Social Services - commissioning and procurement 2017-18	
	City Operations - commissioning and procurement 2017-18	
	Communities - commissioning and procurement 2017-18	
	Economic Development - effective decision making 2018-19	
	Education - Budgeting and forecasting	
	Education - governance 2018-19	
	PTE - Partnerships and collaborative governance	
	Resources - effective decision making 2018-19	
	Social Services - Partnerships and collaborative governance	
	Creditor Payments Processes (inc procurement) In year testing	
	Health and Safety framework 2018-19	
	Risk management arrangements 2018-19	
	Communities - Partnerships and collaborative governance	
	Medium	
EFFECTIVE OPPORTUNITY FOR IMPROVEMENT	Communities First 2018-19	
	Cradle to Grave - Gulliver's 2018-19	
	Education - commissioning and procurement of	
	Front of House (Cardiff Castle)	
	Llandaff Church in Wales	
	Programme and projects in CADT 2018-19	
	PTE - Flood risk management	
	Regional Social Care Training Unit	
	Whitchurch Primary School	
	Willows 2018-19	
	Atebion Solutions	
	Cloud computing	
	IT governance 2018-19	
	Stocktake observation - Brindley Road	
	Stocktake observation - Lamby Way	
	VFM - discretionary grants 2018-19	
	VFM - Review of sickness absence	

II. Insufficient with major improvement needed / Unsatisfactory

	Audit Area	Status of report (if not final)
	<i>Fundamental / High</i>	
INSUFFICIENT MAJOR IMPROVEMENT NEEDED	Purchasing cards	
	Cardiff Capital Fund 2018-19	
	GLL and other partnership working 2018-19	
	Commercial Services 2018-19	
	Education - SOP 2018-19	
	FMIT - 2018-19	
	<i>Medium</i>	
INSUFFICIENT MAJOR IMPROVEMENT NEEDED	Baden Powell 2018-19	
	Economic Development - Park and Ride - Events	
	Income and Banking control procedures within Lamby Way	
	Mileage and subsistence 2018-19	
	PTE – Payroll Review	
	Safeguarding arrangements	
	St. David's 2018-19	
	County Hall canteen	Drafts Issued
	Music Service - expenditure review	
	Review of Gatehouse	
	Ysgol Glantaf	
UNSATISFACTORY	Education - Income Procedures in school kitchens	
	Music Service 2018-19	
	Pontprennau	
	Stores 2018-19	
	Review of contracts in Waste Management	Drafts Issued
	St. Peter's 2018-19	

III. Other Audits and Audits with no opinion provided

Audit Area		Nature
Grants / Accounts / External Bodies		
Joint Committees	Glamorgan Archives	Statement of Accounts Reviews / Support <i>No opinion</i>
	Prosiect Gwyrdd	
	Port Health	
Cardiff Further Education Trust Fund 2017-18 cf		Compliance Certification <i>No opinion</i>
City Deal 2018-19		Assurance audit <i>Effective</i>
City Deal 2017-18		Assurance audits <i>Effective with opportunities for improvement</i>
Norwegian Church Trust 2018-19		
Education Improvement Grant 2018-19		
Flying Start 2018-19		
Norwegian Church Trust 2015-16		Assurance audits <i>Insufficient with major improvement needed</i>
Norwegian Church Trust 2017-18		
WLGA		
No Opinion – Audit Engagements		
National Fraud Initiative 2016-17 cont		Data Matching
Asset Management - 2018-19		Consultancy Services
Gatehouse		
P2P Project Board 2018-19		
Weighbridge - review and monitoring		
Ysgol Coed y Gof		
Review of Financial Rules 2018-19		
Contract Audit - Training on new CSOPRs		
Lamby Way - income processes		
Lamby Way - stock take		
Bessemer Close - weighbridge		
PTE - acting up allowances		
Social Services - care packages		
Social Services - service review		
Use of external legal advice 2018-19		

Audit Area	Nature
Whitchurch High School	CRSA
Education - ICT Governance	
Creditor Payments and Processes CRSA 2018-19	
Housing Benefit and Local Housing Allowances 2018-19	
Housing Rents - 2018-19	
Governance and Legal Services - asset management	
Resources - Asset Management	
Communities - asset management	
Economic Development - asset management	
PTE - asset management	
Social Services - asset management	
Education – Asset Management	
GDPR	
Insurance CRSA 2018-19	
Rent Smart Wales	Training
Education - Provision of training to schools	

Status of Other Audit Reports Planned

IV. Audits ongoing at the year-end for conclusion in 2019/20

Audits ongoing at the year-end 2019/20
Communities - Regional Partnership Board
Bilingual Cardiff
Cardiff Further Education Trust Fund 2018-19
Education - Commissioning of independent investigations
Education - Income Processes
Music Service - follow up
Payroll - in-year testing 2017-18 and 2018-19
Roath Park Primary School
VFM – enforcement
VFM - Personal Reviews

VFM - Review of agency workers, consultants and interims
VFM - Review of overtime
VFM - workforce deployment

V. Audits Planned for 2018/19 which were cancelled or deferred

Audit	Action Taken
Commissioning and Procurement - Thematic audits	Audits planned for each directorate in 2019/20
Value for money Directorate Audits	Time was re-allocated to specific value for money studies, approved by Audit Committee in November 2018.
Audit of performance management	Carry Forward audit for 2019/20
Communities - Independent Living	Carry Forward audit for 2019/20
Communities - Lettings policy for high rise accommodation	Carry Forward audit for 2019/20
Contract Audit - Collaborative and partnership working	Reassigned to audits in each directorate
Economic Development - Sports Joint Venture	Deferred, pending the work of WAO in this area.
Income collection (fees and charges)	2019/20 thematic Audit – Income and Debtors
National Fraud Initiative – creditors & Payroll	Carry Forward audit for 2019/20
Payroll - CRSA 2018-19	Carry Forward audit for 2019/20
PTE - Section 106 agreements	Audit Resources reassigned
Resources - Partnerships and collaborative governance	Cancelled – (Attebion Solutions Audited in 2018/19) Audit Resources reassigned
Social Services - Commissioning of independent investigations	Cancelled – Audit Resources reassigned
Travel policy	Reassigned – audit of fleet Management 2019/20 (& mileage and subsistence audit in 2018/19)

Audit of information governance 2018-19	GDPR CRSA completed – Information Governance audit scheduled for 2019/20
Domiciliary Care - 2018-19	Carry Forward audit for 2019/20
Education - Use of contractors by schools	Cancelled – Commissioning and procurement audit planned for 2019/20
Insurance In-year testing 2018-19	Carry Forward audit for 2019/20
PTE - review of Tranman processes	Carry Forward audit for 2019/20
Self service	Cancelled – Audit Resources reassigned
Education - School Admissions	Audit Resources reassigned
Education - Schools estate	Reassigned – Asset Management Thematic Audit arranged for Education and Lifelong Learning in 2019/20.
Audit of ethics and values	Audits of disclosures arranged for 2019/10 relating to ‘gifts and hospitality’ and ‘business interests’.

Work Areas where a Standard Audit Report is not prepared

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

Work Area	Brief Details of Audit Involvement
Efficiency / Change and other projects	Work providing advice and guidance to a number of programmes and projects. Senior Members of the Audit Team attend meetings and working groups to input to risk assessments and system developments, especially where financial processes are involved.
Procurement and Spend	Auditors are engaged on procurement matters, attending working groups and providing input on risk management and controls. Also data gathering and challenging spend.
Grants	The demand for the audit of grant claims has further reduced as grant instructions delete this requirement and some grants are subsumed into the Council's main RSG.
Ad hoc Requests	Enquiries and assignments.
Schools - General	Specific problems in schools have required audit attention. CRSAs have been developed to include wider areas of assurance, such as ICT governance and counter-fraud.
Directorates - general	Advice, guidance and training is provided to directorates on topics such as procurement systems and rules, DigiGOV and imprest accounts. Officers are also active members of service review groups, implementation boards, etc.
Rules and Regulations	Advice and guidance and sharing of best practice in many areas. General work around governance.
External Clients	Audit of clients' risks, systems and procedures (as per Terms of Reference). Audit of Accounts. Provision of advice due to knowledge on risk management and controls.
Imprest (Petty Cash) Accounts	Advice, guidance, training and assisting in the reconciliation process.
Audit Committee	Advice, reporting and support – including induction training, work planning.

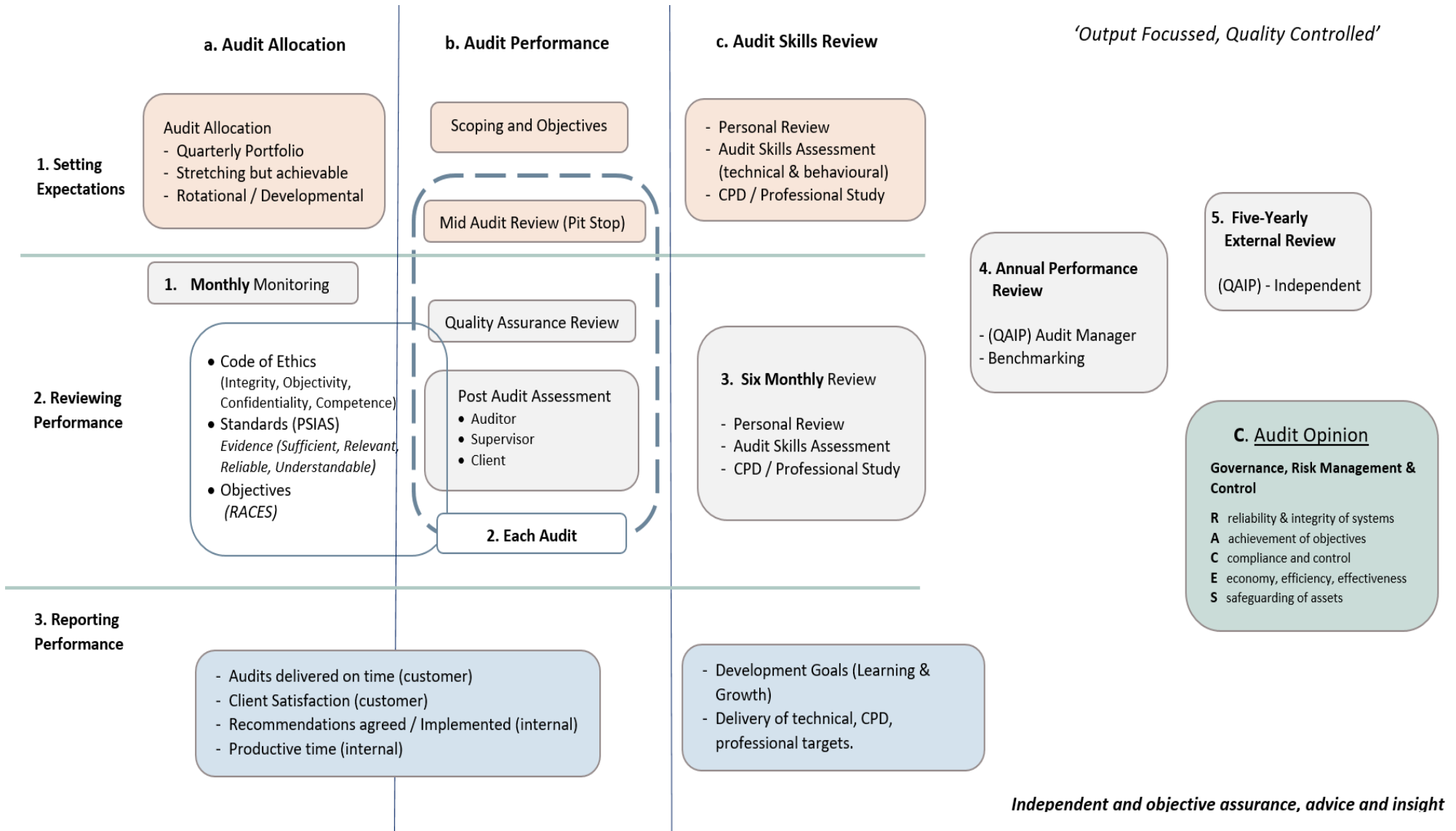
Quality Assurance and improvement Programme – Operational Approach

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.
<ul style="list-style-type: none">✓ 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.
<ul style="list-style-type: none">✓ 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.
<ul style="list-style-type: none">○ 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.

Quality Assurance and Improvement Programme – Operational Approach (Diagram)

Tudalen 476



PSIAS Action Plan 31 March 2019

i. New and ongoing Actions

Tudalen 477

REF	SELF-ASSESSMENT QUESTION	FINDINGS	ACTION	RISK RATING	POSITION	RESPONSIBLE OFFICER	ACTION DATE
1.	<p>Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:</p> <ul style="list-style-type: none"> • How the audit service will be delivered? • How the internal audit service will be developed in accordance with the internal audit charter? • How the internal audit service links to organisational objectives and priorities? 	<p>A strategic statement was included in the covering report to the draft audit plan for 2019/20 for Audit Committee.</p> <p>The self-assessed view is that a focussed Audit Strategy should be created to set out this information clearly, linked to the Audit Plan and Charter.</p>	<p>An Audit Strategy should be developed to set out:</p> <ul style="list-style-type: none"> • How the audit service will be delivered? • How the internal audit service will be developed in accordance with the internal audit charter? • How the internal audit service links to organisational objectives and priorities? 	Green	<p>New</p> <p>An Audit Strategy has been developed which will be reported to the Audit Committee in its meeting of 25 June 2019.</p>	Audit Manager	25 June 2019

2.	<p>Do internal auditors consider the following in planning an engagement, and is this documented:</p> <ul style="list-style-type: none"> • The objectives of the activity being reviewed? • The means by which the activity controls its performance? • The significant risks to the activity being audited? • The activity's resources? • The activity's operations? • The means by which the potential impact of risk is kept to an acceptable level? • The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model? • The opportunities for making significant improvements to the activity's governance, risk management and control processes? 	<p>There are robust processes in place as part of audit planning in order to properly consider and reflect on each of the following areas as part of any audit engagement.</p> <p>Whilst this information is considered in all audits, it is considered that the team would benefit from the introduction of a pro forma document in which all of the required information is consistently documented.</p>	<p>An audit planning assessment form is to be developed and introduced to ensure consistent recording of all planning considerations and preliminary risk assessments.</p>	Green	<p>New</p> <p>An audit planning document has been developed and communicated with the team. Application commenced towards the end of quarter 2 2019/20.</p>	<p>Audit Manager</p>	<p>1 June 2019</p>
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2	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	The audit plan does not set this out specifically, but consideration is taken of issues raised by Scrutiny Committees and any national risks that may impact upon the Council. These are reported regularly to Audit Committee for consideration either for inclusion within the current year plan or a future year's plan.	Although comment is already made in the progress reports to Audit Committee, Management should consider including information on consideration of local and national issues in the committee reports on the development of the audit plan for the following year.	<p style="text-align: center;">Green</p> <p>Ongoing</p> <p>Assurance Mapping has been further progressed in the development of the 2019/20 audit plan and communicated to the Audit Committee to show all the primary assessment of risks and assurances in prioritising areas for audit.</p> <p>The Audit Plan for 2019/20 includes a range of local and national issues, ranging from local safeguarding, procurement and Council Scrutiny assurances, to wider issues such as the Wellbeing of Future Generations and Welsh Language Standards compliance.</p> <p>This action will remain open whilst the means of capturing this context in the audit plan is further developed.</p>	Audit Manager	Refine presentation of audit plan by end of Q2 2019/20
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ii. Completed and Closed Actions

Tudalen 480

REF	SELF-ASSESSMENT QUESTION	FINDINGS	RECOMMENDATIONS	RISK RATING	YEAR END POSITION	RESPONSIBLE OFFICER	ACTION DATE
1	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	The Charter is approved by the Audit Committee in the presence of the Section 151 Officer. At present, it is not approved by other Senior Management.	Consideration should be given to presenting the Audit Charter to Senior Management Team, with further consideration given to being countersigned by the Chief Executive.	Green	Completed – the Audit Charter 2019/20 has been discussed at Senior Management Team and reviewed and counter-signed by the Chief Executive.	Audit Manager	Completed at 2018/19 year end
2	Does the Board approve decisions relating to the appointment and removal of the CAE?	This is not in place. In accordance with the Constitution of the Council, the Cabinet is responsible for decision making in terms of pay, terms and conditions and redundancy arrangements in relation to employees of the Council. The Employment Conditions Committee is responsible for posts at Chief Officer level and above.	No recommendation to be made as this would be against the Council's current Constitution and agreed pay policy.	Green	No Action Required		

3	Has the internal audit activity evaluated the effectiveness of the organisation's ethics-related objectives, programmes and activities?	A governance review was undertaken in 2017/18 and focussed on the framework relating to staff. This will be expanded further in 2018/19 to the effectiveness of other aspects of the Council's ethics-related objectives and activities.	Audits of ethics-related objectives, programmes and activities should be undertaken annually as part of the review of the Council's corporate governance framework.	Amber / Green	In Place Assurance on ethics will continue to be achieved through a combination of audit engagements. Whilst there may not be a dedicated audit engagement on 'ethics' each year, audit work will be scoped to provide a view of ethics as part of the annual audit opinion.	Audit Manager	In place October 2018
4	<p>Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that:</p> <p>a) Organisational objectives support and align with the organisation's mission?</p> <p>b) Significant risks are identified and assessed?</p>	An Internal Audit of Risk Management Arrangements was undertaken in 2017/18 and further work will be undertaken in 2018/19. Various aspects of risk management processes were reviewed in 2017/18 as part of individual audits and risk / governance information is used to scope and plan audits.	Whilst it is appreciated that risk and governance are key parts of the planning and scoping of all audits, separate audits of the Council's risk management arrangements should be undertaken annually as part of the review of the Council's corporate governance framework.	Amber / Green	Completed – Each year an assurance audit engagement on Risk Management will be undertaken, and the risk management output will be taken into account in risk-based audit planning.	Audit Manager	October 2018

	<p>c) Appropriate risk responses are selected that align risks with the organisation's risk appetite?</p> <p>d) Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities?</p>						
5	Does the engagement plan include the engagement's objectives, scope, timing and resource allocations?	This is in place for all assurance engagements, but improvements are needed for consulting engagements.	Consideration should be given to developing a pro forma for significant consultation engagements (i.e. those exceeding 10 planned days). The pro forma should set out the objectives, scope and respective responsibilities for the engagement (and include resource allocations).	Green	Completed - Arrangements have been put in place to record the objectives, scope, responsibilities and resource allocations for all new consulting engagements to be documented in support of the audit plan.	Audit Manager	October 2018

AUDIT COMMITTEE: 26 June 2018

INVESTIGATION TEAM ANNUAL REPORT 2018/19**REPORT OF THE AUDIT MANAGER****AGENDA ITEM: 12.4**

Reason for this Report

1. The Audit Committee's Terms of Reference requires that Members:
 - consider reports from the Audit Manager on Internal Audit's performance during the year.
 - review the assessment of fraud risks and potential harm to the Council from fraud and corruption and to monitor the Counter-fraud strategy, actions and resources.
 - monitor the Counter-fraud strategy, actions and resources.
2. This report has been prepared to provide Audit Committee Members with an overview of the Investigation team's approach and the work undertaken over the past twelve months.

Background

3. The Council has a responsibility to protect the public purse through proper administration and control of public funds and assets to which it has been entrusted. The work of the Internal Audit, Investigation Team supports this, as a specialist, independent function, that is able to investigate its referrals, to an appropriate outcome. This report reviews the issues and developments within counter fraud in Cardiff Council over the last year.
4. The Corporate Fraud, Investigation Team offers support, advice and assistance on all matters of fraud risks including prevention, detection, money laundering, other criminal activity, deterrent measures, and policies and procedures. A cohesive approach is taken to reflect best practice, support corporate priorities and the Council in its statutory obligation under section 151 of the Local Government Act 1972. This is to ensure protection of public funds and to have an effective system of prevention and detection of fraud and corruption. Furthermore, it supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity, such as money laundering activity.
5. The Audit Manager prepares quarterly progress reports, outlining the work undertaken by the team. The Corporate Director, Resources receives progress updates, in order to provide a meaningful update on the work of the team and to give the opportunity to discuss changing priorities. Cabinet approved the Council's Fraud, Bribery & Corruption Policy on the 14 June 2018, following consideration by Audit Committee in March 2018.

Issues

6. The Annual Report (Appendix A) sets out the activity and performance of the team for the year 2018/19. This activity is primarily split between investigations, delivery of training and reviewing key fraud, bribery and corruption related policies and guidance.
7. This year the Investigation Team has been significantly involved in supporting a high profile Police investigation into alleged fraud within the Council and at the year-end, the Investigation Team continues to support South Wales Police. Whilst resources have been stretched, performance has been strong, with a high number of referral investigations completed and data matches completed for recovery, for which details are provided in the sections on the teams 'work' and 'impact' within the appended Annual Report..
8. The Investigation Team has led the development of the Council's Counter-Fraud Strategy in the final months of 2018/19. Through the discussions held and decisions made to date, there is a strong corporate commitment to an organisational-wide awareness and training campaign to engage the whole workforce to retain and enhance resilience in fraud risk management. The Strategy and the design and delivery of mandatory eLearning training will add to the proactive work of the Investigation Team, and reaffirm the responsibility of all of us to prevent, detect and report potential fraud
9. The Investigation Team in 2018/19 comprised 1.5 full time equivalent officers, overseen by the Audit Manager. Both members of the team are professionally qualified counter fraud officer's, accredited with Portsmouth University and conduct criminal investigations, dealing with sanctions and financial recovery where appropriate, as well as civil investigations, and cases of employee misconduct. To deliver the corporate Strategy, and meet any significant reactive work in 2019/20, arrangements will be made to add to this resource, and seek the recruitment of an additional Investigator within the Team.
10. The work of the Investigation Team is documented within section 3 of the report, which involves proactive working to prevent, detect and investigate fraud and irregularities, work and collaboration to share intelligence and best practice, and the provision of specialist guidance, support and training for certain disciplinary officer roles. This work has led to positive outcomes for the Council, with significant overpayments identified for recovery as a result of the fraud and error identified through the work of the Investigation Team as outlined in section 4 (impact) of the Annual Report.
11. The Annual Report is written at a time when the Wales Audit Office has recently concluded its cross-sector study of the counter-fraud landscape in the Welsh public sector. The outcomes of this report are being considered, and any recommendations from a further review being undertaken by the Public Accounts Committee, will be fully considered when received.

Legal Implications

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

Financial Implications

13. The report sets out the performance of the Investigation function for 2018/19 and the ambitions for 2019/20. These outcomes can be contained within the overall budget allocation for Internal Audit.

RECOMMENDATIONS

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

CHRIS PYKE
AUDIT MANAGER
25 June 2019

The following is attached:

Appendix A: Investigation Team - Annual Report 2018/19

Mae'r dudalen hon yn wag yn fwriadol



Audit Investigation Team Annual Report 2018/19

Cardiff Council

MISSION STATEMENT

To be recognised as a leading provider of audit and investigative services,
based on achieving a high standard of professionalism and expertise in service delivery



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

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FOR FURTHER INFORMATION, PLEASE CONTACT:

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CPyke@cardiff.gov.uk
Tel: 029 2087 3455

1. Introduction

- 1.1. The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Internal Audit, Investigation Team supports this, as a specialist, independent function, that is able to investigate its referrals, to an appropriate outcome. This report reviews the issues and developments within counter fraud in Cardiff Council over the last year.
- 1.2. The Corporate Fraud, Investigation Team offers support, advice and assistance on all matters of fraud risks including prevention, detection, money laundering, other criminal activity, deterrent measures, and policies and procedures. A cohesive approach is taken to reflect best practice, support corporate priorities and the Council in its statutory obligation under section 151 of the Local Government Act 1972. This is to ensure protection of public funds and to have an effective system of prevention and detection of fraud and corruption. Furthermore, it supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity, such as money laundering activity.
- 1.3. The Investigation Team has led the development of the Council's Counter-Fraud Strategy in the final months of 2018/19. Through the discussions held and decisions made to date, there is a strong corporate commitment to an organisational-wide awareness and training campaign to engage the whole workforce to retain and enhance resilience in fraud risk management. The strategy and the design and delivery of mandatory eLearning training will add to the proactive work of the Investigation Team, and reaffirm the responsibility of all of us to prevent, detect and report potential fraud.
- 1.4. The Investigation Team has been significantly involved in supporting a high profile Police investigation into alleged fraud within the Council and at the year-end, the Investigation Team continues to support South Wales Police. Whilst resources have been stretched, performance has been strong, with a high number of referral investigations completed and data matches completed for recovery, for which details are provided in the sections on our work and impact.
- 1.5. The Annual Report is written at a time when the Wales Audit Office has recently concluded its cross-sector study of the counter-fraud landscape in the Welsh public sector. The outcomes of this report are being considered, and any recommendations from a further review being undertaken by the Public Accounts Committee, will be fully considered when received.

2. Resources

- 2.1. There has been a period of stability this year, with no changes to personnel. The team is comprised of 1.5 Fte, dedicated to the prevention, detection and investigation of suspected fraud or financial impropriety.
- 2.2. Both members of the team are professionally qualified counter fraud officer's, accredited with Portsmouth University and conduct criminal investigations, dealing with sanctions and financial recovery where appropriate, as well as civil investigations, and cases of employee misconduct.
- 2.1. To support the high profile Police investigation this year, the Group Auditor (Investigations), has needed to spend a substantial proportion of their time available working in this area, however by the end of March 2019, the commitment had significantly reduced. To deliver the corporate

Strategy, and meet any significant reactive work in 2019/20, arrangements will be made to add to this resource, and seek the recruitment of an additional Investigator within the Team.

3. Work and Collaboration

3.1. The work of the Investigation Team has included proactive working to prevent, detect and investigate fraud and irregularities and engage with the Wales Audit Office and Cabinet Office in undertaking data matching exercises to identify and review potential frauds and irregularities. The Team has also worked with other local authorities to share intelligence and best practice, reviewed and updated relevant processes and guidance, provided specialist guidance and support, and continued to deliver training for investigating officer's and disciplinary investigation note takers.

3.2. This year, specialist advice has been provided on thirty occasions, compared to forty-six in 2017/18. Requests originated from a number of different teams, covering topics such as whistle blowing, investigation planning, interview preparation, phishing / spam, missing cash, payment fraud, and evidence gathering.

3.3. On behalf of the Council's Academy, the Investigation Team has continued to develop and deliver the mandatory Disciplinary Investigating Officer training for which performance is recorded in the following table.

Investigating Officer training	2016/17	2017/18	2018/19
Number of attendees	219	78	75
Number of sessions	27	11	9
% satisfied	100%	100%	100%

3.4. Disciplinary investigation note taker training has also continued to be delivered by the Investigation Team through 2018, for which performance is recorded in the following table.

Note taker training	2017/18	2018/19
Number of attendees	31	24
Number of sessions	4	3
% satisfied	100%	100%

3.5. The aim of the training summarised above has been to ensure that all Disciplinary Policy Investigations are conducted consistently and to a high standard. The positive feedback continues to provide confidence that officers feel well trained to deliver their roles.

3.6. Reactive work takes up the majority of the time of the Investigation Team and relates to referrals from various sources, including, members of the public, Council employees and well as anonymous referrals.

3.7. The work of the Investigation Team comprises the following primary elements

Intelligence	Reviewing and risk assessing allegations of impropriety, utilising access to Council systems and outside data sources, including credit reference agencies.
Social Housing Investigations	Dealing with allegations of tenancy fraud, including subletting / abandonment and Right to Buy applications.
Corporate Investigations	Dealing with internal matters relating to staff (fraud, bribery, corruption, financial impropriety), misuse of council services/ assets. Part of the work of the team is to assist in improving systems and controls compromised by abuse and to assist the Audit function, in the identification of areas of identified risk. There is also a commitment to develop training and awareness within the Council.
Blue Badge Investigations	Dealing with allegations of fraudulent misuse of the scheme, within Cardiff.
National Fraud Initiative (NFI)	In addition to investigating referred cases, the team also undertakes various proactive exercises including, a biannual proactive data matching exercise run by the Cabinet Office / Wales Audit Office, in which each local authority participates.

3.8. One hundred and ninety referrals were received in 2018/19, compared to one hundred and twenty eight the previous year. The majority of reactive and proactive referrals continue to be generated in respect of Council Tax Liability issues. Council tax fraud could be when a person claims to live in a single adult household when more than one adult lives there, or they might claim to be a student when they are not. Referrals may be received from the Council Tax Team, members of the public or via data matching, of which one hundred and sixty one investigations were concluded during the year, compared to one hundred and fifty one last year:

Referrals	2016/17		2017/18		2018/19	
	Received	Concluded	Received	Concluded	Received	Concluded
Ad hoc	36	25	21	30	50	26
Blue Badge	2	3	2	2	2	3
Council Tax Liability	78	83	85	94	122	117
Council Tax Reduction	13	10	9	9	9	8
Tenancy	27	21	11	16	7	7
Number of Referrals	156	142	128	151	190	161

3.9. Ad hoc investigations could relate to any other area of fraud, and it is split into two categories “**employee misconduct**” and “**other referrals**”. Twenty-five of the Twenty-six ad hoc investigations concluded related to employee misconduct. The allegations included misuse of resources, failure to declare business interests, abuse of position, and theft.

3.10. Three blue badge investigations were concluded, these related to using someone else’s badge (2) and no eligibility (1).

- 3.11. One hundred and seventeen Council Tax Liability investigations were completed, compared to ninety-four last year. Proactive work has continued in this area, reviewing the annual, NFI Council Tax to Electoral Register data matches, which are released each December. These matches identify Council Tax accounts (single adult households) receiving a single person discount where the Electoral Register identifies that there is more than one adult at the property. Between December 2017 and December 2018, two thousand, three hundred and twenty seven matches were reviewed to determine if a formal investigation was necessary or if the discount was received in error.
- 3.12. Eight Council Tax Reduction investigations were concluded, compared to nine last year. Council Tax Reduction is classed as a local benefit; however, recipients may also be in receipt of a national benefit, for example, Universal Credit, Housing Benefit, Pension / Tax Credits. In these cases, fraud referrals are sent to the DWP to investigate.
- 3.13. Seven tenancy investigations were completed, compared to sixteen last year.
- 3.14. The Investigation Team actively collaborates in available groups and forums in order to continue to understand fraud risks, trends and best practice approaches to prevent and detect fraud.

Groups & forums attended (2018/19)	Wales Fraud Officers Group - the Group Auditor (Investigations) attends meetings quarterly, where networking takes place and best practice and proactive initiatives are shared.
	Welsh Chief Auditor's Group - The Audit Manager attends these meetings, where strategic and operational fraud matters are discussed.
	National Anti-Fraud Network (NAFN) - Cardiff Council is a member of the. NAFN, which acts as a hub for the collection, collation and circulation of intelligence alerts. NAFN is recognised as an expert provider of data services by the Interception of Communications Commissioner's Office, the Home Office, the DWP and the DVLA amongst others.
	Wales Fraud Forum & Wales Audit Office Good Practice Exchange – Lead counter-fraud officers attend these events for best practice advice and insight.

4. Impact

- 4.1. The employee misconduct investigations, which concluded, had a total value recovered of £6,200. As a result, one employee was dismissed, one received a final written warning, one received corrective action, and a number of management recommendations were made, in order to improve systems and controls.
- 4.2. Three blue badge investigations were concluded, these related to using someone else's badge (2) and no eligibility (1). One blue badge was confiscated by the Civil Enforcement Officer.

4.3. Council Tax Liability investigations concluded during the year identified £63,500 of under charged liability, due to be recovered.

Council Tax Liability	2016/17	2017/18	2018/19
Investigations concluded	83	94	117
Overpayment Identified	£60,000	£58,000	£63,500

4.4. The proactive work of the team (National Fraud Initiative, data matches) resulted in 542 Council Tax liabilities being amended and the Council Tax department issuing revised bills, increasing liabilities by **£243,905**.

4.5. Council Tax Reduction investigations resulted in overpayments of £11,909, to be recovered.

Council Tax Reduction
Investigations concluded
Overpayment Identified

4.6. In addition, seven tenancy investigations were completed, compared to sixteen last year. As a result, one individual was removed from the waiting list.

5. Fraud Measurement and Assurance

5.1. The draft Counter-Fraud and Corruption Strategy sets out the approach taken to measure the fraud risk with Cardiff Council, which is built upon national trends and intelligence and Council specific intelligence, which includes management and internal audit assurance, data matching and analysis through participation in the National Fraud Initiative Cabinet Office exercises, and disclosures in the public interest through the Council’s whistleblowing scheme.

5.2. The Investigation Team has reviewed the Council position in respect of counter-fraud through the use of two public sector checklists. Firstly, an assessment has been made against the CIPFA ‘Fighting Fraud and Corruption Locally (2016-2019) Strategy’. The strategy has been designed for English Local Authorities, for which it states that:

“A local authority is self-regulating in respect of counter fraud. It should aim to show that it undertakes realistic self-assessment and has identified and understands the major risks. It should acknowledge the problems and put in place plans which can demonstrate that it is taking action with visible outcomes. It should aim to create a transparent process and report the results to the corporate management team and those charged with governance.”

5.3. The checklist contains thirty-four points to consider, and the self-assessment results are included in **Annex 1**. The self-assessment has provided general comfort in the strength of the counter-fraud approach in the Council. It has also reinforced the importance of delivering the draft Counter-Fraud and Corruption Strategy in 2019/20, through which Council-wide training and awareness are cornerstones of the refreshed corporate counter-fraud response.

5.4. In 2017, the Government launched a set of twelve “functional standards” for counter fraud, detailing the main components government organisations should have in place to deal with fraud effectively. The functional standards for counter fraud were developed by a senior group of fraud experts in government. They were approved by the finance leaders group and were launched by the minister for the constitution in 2017. The standards apply to all government departments and their arms-length bodies.

- 5.5. The Investigation Team has reviewed the Council position against the twelve Functional Standards. The self-assessment results are included in **Annex 2**. The self-assessment provided general assurance that the Council has strong foundations in place to deal with fraud effectively.
- 5.6. In May 2018, CIPFA conducted its fourth annual Counter Fraud and Corruption Tracker survey, the aim being to create a national picture of the amount, and types of fraud carried out against local authorities. Data from this tracker has been referenced throughout the draft Counter-Fraud and Corruption Strategy in which the following CIPFA recommendations are being reinforced and targeted through the approach.
- Public sector organisations need to remain vigilant and determined in identifying and preventing fraud in their procurement processes. Our survey showed this to be one of the prime risk areas and practitioners believe this fraud to be widely underreported.
 - Effective practices on detecting and preventing adult social care fraud should be shared and adopted across the sector. Data matching is being used by some authorities with positive results.
 - All organisations should ensure that they have a strong counter-fraud leadership at the heart of the senior decision-making teams. Fraud teams and practitioners should be supported in presenting business cases to resource their work effectively.
 - Public sector organisations should continue to maximise opportunities to share data and to explore innovative use of data, including sharing with law enforcement.
 - The importance of the work of the fraud team should be built into both internal and external communication plans. Councils can improve their budget position and reputations by having a zero-tolerance approach.

6. Investigation Plan 2019/20

- 6.1. Looking forward to 2019/20, there are two hundred and seventy eight chargeable days available in the plan based on the current resources available, these have been split between reactive (208 days) and proactive (70 days) as summarised within the table below:

Proactive (Planned Days)	70
Fraud awareness / policy review / planning	20
National Fraud Initiative	15
Police liaison / intelligence sharing / working groups	5
Training development / delivery	30

Reactive (Planned Days)	208
Advice and guidance	11
Blue badge	1
Council tax liability	95
Council tax reduction	10
Employee misconduct (disciplinary investigations)	65
Non receipt of cheques / mandate fraud	1
Tenancy fraud	15
Unplanned (contingency)	10

NB – Audit Manager time is not included within the above apportionment. Additionally, in the event that an additional Investigator is successfully recruited to the team, the plan will be updated and provided to the Audit Committee for information.

7. Developments and Campaigns

- 7.1. The Corporate Director Resources, Chris Lee, has taken on the role of Senior Responsible Officer in respect of the National Fraud Initiative. The Group Auditor (Investigations) remains the Key Contact.
- 7.2. The CIPFA Counter Fraud Centre drafted and published the Fighting Fraud and Corruption Locally Strategy 2016/19. The strategy has been produced for English local authorities and sets out ways in which local authorities can further develop and enhance their counter fraud response. An executive summary was presented to the Audit Committee on the 19th September 2016 and the strategy has been adopted by the Investigation Team.
- 7.3. A Cardiff Council, Counter-Fraud & Corruption Strategy has been produced and will be presented to Audit Committee during July 2019.
- 7.4. The Money Laundering Policy, referral form and referral guide will be reviewed / updated during quarter one, 2019 and a due diligence / know your customer procedure will be produced. The Policy and supporting guidance will be presented to Audit Committee in September 2019.
- 7.5. The Counter Fraud Tool Kit and Fraud Response Plan will be reviewed during quarter one, 2019 to ensure consistency with the strategy.
- 7.6. An eLearning fraud awareness module will be rolled out to all staff during quarter two, 2019, this will be backed up with face-to-face briefing sessions. ELearning and briefing sessions will also be available for schools and members.
- 7.7. A communications strategy will be formulated and an awareness campaign launched to raise awareness of fraud risks, during the International Fraud Awareness week (17th to 23rd November 2019).

Fighting Fraud & Corruption Locally – Self-Assessment

Checklist		Position	Action Required
1	The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.	<p>The Investigation Team has adopted the Fighting Fraud and Corruption Locally Strategy 2016/19. A Counter Fraud Tool Kit and Fraud Response Plan have been produced and published; they introduce a procedural guide for required actions, which must be followed, in the event of a suspicion of fraud, bribery, corruption or financial impropriety. Both documents were presented to Audit Committee during March 2018</p> <p>The risk assessment within the Counter Fraud and Corruption Strategy is built upon the National analysis of fraud risks, whilst accounting for Council intelligence through management and audit control assurance, data matching exercises and whistleblowing intelligence.</p> <p>An Annual Fraud Plan is produced and taken to Audit Committee.</p>	<p>Twice a year, the Investigation Team to review directorate:</p> <ul style="list-style-type: none"> • responses to their assurance statements on the prevention and detection of fraud, as part of the Council’s fraud risk assessment. • risks relating to fraud, bribery and corruption risks, to provide advice and guidance.
2	The local authority has undertaken an assessment against the risks in Protecting the Public Purse: Fighting Fraud Against Local Government (2014) and has also undertaken horizon scanning of future potential fraud and corruption risks.	<p>The protecting the public purse checklist was completed upon publication. The primary ongoing risk assessments are undertaken using the fighting fraud and corruption locally checklist, and the Government’s functional standards.</p> <p>The Investigation Team receives reviews alerts, publications and reports in respect of emerging fraud risks / trends, for example - National Fraud Intelligence Bureau, National Fraud Authority, National Anti-Fraud Network, CIPFA.</p>	

Tudalen 496

3	There is an annual report to the audit committee, or equivalent detailed assessment, to compare against Fighting Fraud and Corruption Locally (FFCL) 2016 and checklist.	An Investigation Team Annual Report is presented to the Audit Committee. The year-end reports has reference to the work of the team and the reference to Fighting Fraud and Corruption Locally annually.	A documented assessment against the Fighting Fraud and Corruption Locally checklist to completed annually, and included in the Investigation Team Annual Report.
4	There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.	<p>The Council's Fraud, Bribery and Corruption Policy was updated in 2018 and presented to the Audit Committee. It is referred to in the Annual Governance Statement and sets out the Council's approach to preventing fraud, bribery and corruption, and managing suspected cases.</p> <p>A Counter Fraud and Corruption Strategy has been produced and is expected to be published in July</p>	Awareness campaign for the launch of the Counter Fraud and Corruption Strategy and introduction of roll out of mandatory eLearning in July 2019.
Tudalen 497	The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	<p>The Council has a number of policies and strategies already in place to promote and ensure probity and propriety in the conduct of its business.</p> <p>The Audit Committee consider the Annual Governance Statement and its disclosures on an annual basis.</p>	Participate in International Fraud Awareness Week in November each year, working with the Council's Communications Team.
6	The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.	<p>The risk of fraud, bribery and corruption has been recorded in the Council's Corporate Risk Register.</p> <p>Fraud risk management is also reviewed as part of the Senior Management Assurance Statement disclosures, completed twice a year.</p>	

7	Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.	<p>The Investigation Team is engaged when a relevant policy is identified, for example the new Disciplinary policy, supplementary guides and training module / delivery.</p> <p>The Internal Audit Team is consulted on policies relating to core financial systems and controls. Audit Management also meet with each Director through the relationship management role and agree the level of consultancy services, relevant to new Council / Directorate initiatives.</p>	
8	Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	A Fraud Publicity Policy is in place through which suitable cases are reported to the Council's media team for communication.	
Tudalen 498	The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.	<p>The Council's approach to counter-fraud includes a number of proactive and responsive elements, as outlined in Section 7 of the Counter-Fraud and Corruption Strategy.</p> <p>Internal Auditors are alert to the risks of fraud with each audit carried out and work closely with counter fraud staff.</p> <p>The work of the Audit and Investigation Teams and their findings and outcomes are reported to the Audit Committee in each meeting (five times a year).</p>	
10	The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:	<p>The range of Counter Fraud Policies are outlined in the Counter Fraud and Corruption Strategy as:</p> <ul style="list-style-type: none"> • Fraud Response Plan • Counter-Fraud Toolkit • Fraud Bribery and Corruption Policy • Money Laundering Policy and Procedure 	

	<ul style="list-style-type: none"> – codes of conduct including behaviour for counter fraud, anti-bribery and corruption – register of interests – register of gifts and hospitality. 	<ul style="list-style-type: none"> • Risk Management Strategy and Policy • Whistleblowing Policy • Gifts and Hospitality Policy and Register • Personal Interests and Secondary Employment Policy • Codes of Conduct • Financial Procedure Rules • Contract Standing Orders and Procurement Rules • Prosecution Policy • Disciplinary Policy • ICT Security Policy • Fraud Publicity Policy. 	
11 Tudalen 499	The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2016 to prevent potentially dishonest employees from being appointed.	Candidates that are selected for interview are required to provide two forms of identity. Referees provided by the applicant are contacted by the Council. Evidence of the right to work in the UK via a British passport is required or other relevant documentation. Successful applicants are required to provide a National Insurance number.	<i>An Internal Audit of Recruitment is planned for 2019/20.</i>
12	Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.	<p>The Council has a gifts and hospitality policy in place, and the process is subject to periodic Internal Audit review. An ongoing audit of gifts and hospitality is concluding and will be reported to Audit Committee.</p> <p>The Council also has a policy on personal interests and secondary employment, which is subject to periodic Internal Audit review. An audit of this area has commenced and will be reported to Audit Committee.</p>	

13	There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	There is an annual fraud plan, suitable policies are in place, Investigating Officer training is provided and there is a requirement for all suspicions of fraud or impropriety to be reported to Internal Audit. Expert advice, guidance and assistance is provided.	<i>Managed through actions included against statement 4 and 5.</i>
14	There is an independent whistleblowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.	The Whistleblowing Policy provides for annual review by the Standards & Ethics Committee. It is available on the intranet and internet.	
Tudalen 500	Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.	Contractors and other third parties are able to raise any concerns, which relate to potential wrongdoing within the Council under the Council's Whistleblowing Policy. The requirement for contractors to have their own suitable whistleblowing arrangements in place is included as a contract term in relevant contracts.	
16	Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.	A Counter-Fraud Response Plan is included within the Counter-Fraud and Corruption Strategy. The Investigations Team would struggle to deal with a serious, complex investigation whilst delivering planned counter-fraud activities, with the current resources available.	
17	There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's	The Counter Fraud and Response Plan takes into account the national fraud risk intelligence, as well as local control assurances, and the identified risk levels through national fraud initiative participation.	

	business and includes activities undertaken by contractors and third parties or voluntary sector activities.	The targeted Counter-Fraud work led by the Investigation Team is supported by the work of the Internal Audit Team, which considers the controls in respect of all of the local authority's business.	
18	Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.	Fraud statistics are reported to the Section 151 Officer and Audit Committee.	
19	Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	The Constitution (Financial Procedure Rules) gives Internal Auditors access to premises, assets, records, documents, correspondence and control systems. Fraud officers have been provided unfettered access to premises and documents for the purposes of counter fraud investigations.	
Tudalen 501	There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communication team.	All suitable cases are publicised via the communications team. Periodical media campaigns are undertaken, for example, NFI	<i>Managed through actions included against statement 4 and 5.</i>
21	All allegations of fraud and corruption are risk assessed.	A fraud referral process flow is followed and triage system is used prior to allocating the case to an investigator. The Investigations Assistant can progress civil cases, overseen by the Group Auditor (Investigations), who will deal with the criminal fraud allegations received.	
22	The fraud and corruption response plan covers all areas of counter fraud work:	The Fraud Plan, Fraud, Bribery and Corruption Policy, Fraud response plan and Prosecution Policy cover all areas of counter fraud work.	

	<ul style="list-style-type: none"> • prevention • detection • investigation • sanctions • redress 			
Tudalen 5025	23	The fraud response plan is linked to the audit plan and is communicated to senior management and members.	<p>The Internal Audit Plan is reported to SMT and approved by the Audit Committee. The Audit Plan is risk based and the outcomes of both the Internal Audit and Investigation Teams inform the respective plans of work.</p> <p>The Counter-Fraud Response Plan is included in the Counter-Fraud and Corruption Strategy.</p>	
		Asset recovery and civil recovery is considered in all cases.	The Prosecution Policy covers the considerations made to determine the appropriate sanctions and recovery approach.	
		There is a zero tolerance approach to fraud and corruption which is always reported to committee.	The Fraud, Bribery and Corruption Policy sets out the zero tolerance approach, reinforced through the higher-level strategy, training and communication campaign. All fraud related policies are reported to the Audit Committee, as is the counter-fraud approach applied, and the value and nature of detected fraud.	
	26	There is a programme of proactive counter fraud work which covers risks identified in assessment.	<p>The Counter-Fraud and Corruption Strategy and the underlying policy framework outlines the work to.</p> <ul style="list-style-type: none"> • Develop and maintain a counter-fraud culture to increase resilience to fraud; • Prevent fraud, through the implementation of appropriate and robust internal controls and security measures; 	

		<ul style="list-style-type: none"> • Using techniques such as data matching to validate data and identify anomalies; • Deterring fraud attempts by publicising the organisation’s anti-fraud and corruption stance and the actions it takes against fraudsters. 	
27	The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	<p>Collaboration opportunities are sought and new ways of working considered.</p> <p>Networking is undertaken with the Core Cities, the Welsh Chief Auditors Group, Welsh Investigators Group.</p> <p>The team attends the Wales Audit Office Good Practice Exchange and the Wales Fraud Forum.</p>	
28	The local authority shares data across its own departments and between other enforcement agencies.	The Investigation Team participates in National Fraud Initiative data matching exercises, and liaises with council departments to ensure matches are investigated. The team also liaises with the local Police intelligence unit as necessary.	
29	Prevention measures and projects are undertaken using data analytics where possible.	The Investigation Team has recommended wider use of data matching intelligence at the point of processing Council applications, to increase prevention of potential fraud. Audits of Recruitment and Housing Benefits will review the use of such data analytics for fraud prevention.	The use of data matching intelligence at the point of processing Council applications, will be tested and advocated through the Internal Audit regime.

Tudalen 503

30	The local authority actively takes part in the National Fraud Initiative (NFI) and promptly takes action arising from it.	The Council participates in the National Fraud Initiative (NFI) and the work of Cardiff Council and its outcomes have been reported in a number of NFI case studies over time.	
31	There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.	The Investigation Team is managed by a Professional Accredited Counter Fraud Manager. The Investigation Assistant is an Accredited Counter Fraud Technician. Any investigation support work from Internal Audit officers is appropriately supervised.	
Tadalen 504	The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.	All members of Internal Audit are suitably experienced and have adequate knowledge of all areas of the Council.	
	<p>33 The counter fraud team has access (through partnership/other local authorities/or funds to buy in) to specialist staff for:</p> <ul style="list-style-type: none"> – surveillance – computer forensics – asset recovery 	The Group Auditor is trained to conduct surveillance. Existing ICT staff are trained to conduct computer forensics, and Legal Officers have been able to assist with activities related to the Proceeds of Crime Act 2002. Any further requirements would be procured as necessary.	

	- financial investigations		
34	Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud proof systems.	Counter Fraud staff work closely with Auditors to ensure that controls are enhanced as appropriate and future audits incorporate risks identified by investigators.	In instances of proven fraud and corruption, a post fraud review will be prepared once all associated civil and legal activities have concluded, for reporting to SMT and the Audit Committee, for lessons to be learned.

Functional Standards – Self-Assessment

The Functional Standard sets out the basics that public bodies should have in place to find and fight fraud. All public bodies should understand and seek to meet the standard.

#	Functional standards	Position	Action Required
Tudalen 506	1	Have an accountable individual at Board level who is responsible for counter fraud, bribery and corruption	The Section 151 Officer as a member of the Senior Management Team is responsible for the prudent management of the Council's financial affairs and oversees the counter fraud, bribery and corruption response led by the Internal Audit Investigation Team and overseen by the Audit Manager.
	2	Have a counter fraud, bribery and corruption strategy that is submitted to the centre	Counter Fraud Bribery and Corruption Strategy prepared for consideration by the Audit Committee and approval by Cabinet.
	3	Have a fraud, bribery and corruption risk assessment that is submitted to the centre	A corporate risk on Fraud, Bribery and Corruption is reviewed by the Senior Management Team and Audit Committee quarterly and reported to Cabinet twice a year.
	4	Have a policy and response plan for dealing with potential instances of fraud, bribery and corruption	There is a robust counter-fraud policy framework in place, as summarised in the Counter-Fraud and Corruption Strategy.
	5	Have an annual action plan that summarises key actions to improve capability, activity and resilience in that year	Counter-Fraud Response Plan sets out the key actions and activities, and their frequency. The Corporate Risk register also includes the mitigations in place and planned to develop and maintain counter fraud resilience.

6	Have outcome-based metrics summarising what outcomes they are seeking to achieve that year. For organisations with 'significant investment' in counter fraud or 'significant estimated' fraud loss, these will include metrics with a financial impact	The values of detected fraud and the nature of the fraud detected is included in the five Investigation Team progress reports to Audit Committee. Progress is also visible against the targeted actions within the corporate risk register.	
7	Have well established and documented reporting routes for staff, contractors and members of the public to report suspicions of fraud, bribery and corruption and a mechanism for recording these referrals and allegations	Comprehensive reporting mechanisms are in place and well documented on the Council's website and within the Counter-Fraud and Corruption Strategy.	
Tadalen 507	Will report identified loss from fraud , bribery, corruption and error, and associated recoveries, to the centre in line with the agreed government definitions	Identified loss from fraud recorded and reported to Audit Committee. Recovery rates are reported as performance information across the Council. Any significant fraud cases reported in detail to the Audit Committee and Senior Management, and fraud information is being reported to SMT for which the level of detail is planned to expand.	The level of fraud information reported to SMT to expand. The Investigation Team will await any Wales Audit Office recommendations from their ongoing reviews of Counter-Fraud, and respond accordingly.
9	Have agreed access to trained investigators that meet the agreed public sector skill standard	The Investigation Team is small, but contains a well trained and experienced investigations manager (Group Auditor – Investigations) and investigations assistant.	

10	Undertake activity to try and detect fraud in high risk areas where little or nothing is known of fraud, bribery and corruption levels, including loss measurement activity where suitable	<p>Management are responsible for reviewing fraud risks and maintaining appropriate controls. Internal audit staff, test controls focussing on high risk areas.</p> <p>The Investigation Team co-ordinate and lead participation in NFI data matching to detect potential fraud in many high risk areas.</p>	
11	Ensure all staff have access to and undertake fraud awareness, bribery and corruption training as appropriate to their role	Fraud awareness eLearning training is to be mandatory for all Council staff. Audit Committee Members are due to receive focussed counter-fraud training.	
12	Have policies and registers for gifts and hospitality and conflicts of interest	In place.	

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Investigation Team Action Plan 2019/20

Annex 3

	Action	Target
1.	Twice a year, the Investigation Team to review directorate: <ul style="list-style-type: none"> • responses to their assurance statements on the prevention and detection of fraud • risks relating to fraud, bribery and corruption risks, to provide advice and guidance. 	Twice yearly
2.	A documented assessment against the Fighting Fraud and Corruption Locally checklist to completed annually, and included in the Investigation Team Annual Report.	Following each financial year-end
3.	Awareness campaign for the launch of the Counter Fraud and Corruption Strategy and roll out of mandatory eLearning.	July 2019
4.	Participate in International Fraud Awareness Week in November each year, working with the Council’s Communications Team.	November 2019
5.	The use of data matching intelligence at the point of processing Council applications will be tested and advocated through the Internal Audit regime.	Ongoing
6.	In instances of proven fraud and corruption, a post fraud review will be prepared once all associated civil and legal activities have concluded, for reporting to SMT and the Audit Committee, for lessons to be learned	Ongoing
7.	The level of fraud information reported to SMT to expand.	From Q2 2019
8.	The Investigation Team will await any Wales Audit Office recommendations from their ongoing reviews of Counter-Fraud, and respond accordingly.	July 2019

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Audit Committee Action Plan

Agenda Item 14

(Updated following meeting held on 02 April 2019)

Minute No. /Agenda No.	Actions	Timeline	Action Owner
Finance (Budget)			
Governance & Risk Management			
Wales Audit Office (WAO)			
Internal Audit			
Treasury Management			
Operational Items			
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"> 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. 	<i>(Interim updates emailed to Members 01.04.19 and 03.06.19)</i>	AG
02.04.19	Once disciplinary procedures have concluded within the Waste Management Service, Audit Committee to be informed of the terms of reference and approach for delivering the associated Post Investigation Review.		AG
02.04.19	In consideration of the impact of Brexit on the Waste Management Service, the Director of Planning Transport and Environment to provide details on the number of EU nationals who work for and provide key supplies to the service, and how service delivery risks are being mitigated. <i>(Information provided to Members 03.06.19)</i>		Completed 03.06.19
02.04.19	In respect of the Health and Safety Advisory Group: <ul style="list-style-type: none"> Audit Committee to receive a briefing, to outline the current terms of reference and any potential development of its role to challenge and oversee good governance; <i>(Information provided to Members 18.06.19)</i> Officers to document its role in the draft Annual Governance Statement 2018/19. 	Completed 18.06.19 Completed for meeting 25.06.19	IA/VP

Minute No. /Agenda No.	Actions	Timeline	Action Owner
02.04.19	Audit Committee Chairperson, via the Audit Manager, to thank the Chief Executive for his Audit Committee attendance and detailed assurances, welcoming continued communications to inform those involved in delivery and oversight.	Completed 04.04.19	IA/CP
Work Programme			
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
WAO Tracker/Other Studies			
Outstanding Actions			
Scrutiny Letters			

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 Report	WAO Performance Audit Work Programme Update			
		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				
	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	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 Report 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	Neil Hanratty Update on Internal Control Environment	Nick Batchelar Annual Report on School Governance (Inc. Balances) & Deficits	TBC - Andrew Gregory Coastal Risk Management Update	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"> Council's performance against the Well-being and Future Generations Act 					

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