

GOVERNANCE AND AUDIT COMMITTEE

28 JULY 2020

Present: Councillor Hugh Thomas(Chairperson)
David Price
Councillors Cunah, Howells, Lister, McKerlich and Williams

1 : APPOINTMENT OF CHAIRPERSON AND DEPUTY CHAIRPERSON

RESOLVED – That D. Hugh Thomas be appointed as Chairperson and Gavin McArthur be appointed Deputy Chairperson.

Note - For this meeting only, in order to anticipate any potential technical activities David Price was appointed as Deputy Chairperson

2 : APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Goodway and Simmons, and from Gavin McArthur.

The Chairperson noted that Councillor Goodway was unable to make the meeting but wanted to offer a warm welcome to him as a new member of the Audit Committee.

3 : DECLARATIONS OF INTEREST

The following declarations of interest were received:

Councillor Williams	Item 5.1	Owner of a property in Westgate Street which is included in air quality improvement measures
Councillor Williams	Item 6	Employed by BCB International. BCB International supplies the Council and its partners with Personal Protective Equipment.

4 : MINUTES

Councillor Williams declared a personal interest in this item as he is the owner of a property in Westgate Street which is included in air quality improvement measures.

The minutes of the meeting held on 21 January 2020 were agreed as a correct record.

RESOLVED:

1. The report from the Director of PTE on the monitoring of particulate matter to be re-circulated, and Members to consider if any further information is required.

5 : INTERNAL AUDIT

6 : INTERNAL AUDIT ANNUAL REPORT 2019/20

Chris Pyke (Audit Manager) provided Members with an outline of the Internal Audit Annual Report 2019/20, noting that it was an account of the last financial year; it outlined the responsibilities of the Audit Committee and the Annual report was appended at Appendix A. Section 1 and 2 provided the background, review and annual audit opinion; Section 3 related to work performance and Section 4 related to Quality Assurance and Improvements.

A Member asked if there were any special arrangements in place for internal audit due to Covid-19. The Audit Manager explained that the onset of Covid-19 had a significant impact at the very latter part of the financial year; looking beyond the financial year 2019/20, there are further significant risks given the very different environment we are operating within. In the first financial quarter, audit resources applied a number of the 100 audit days allocated to Covid-19 related consultancy and advice to review resilience and controls in key areas, as management adapted to the crisis. Covid-19 will have a bearing on what is looked at in the Audit Plan, with some new areas included in the plan, and some areas which are undoubtedly affected by Covid-19 which were planned, such as audit of Governance arrangements and Incident Management and Business Continuity. Covid-19 has impacted income received, and how we procure, and there needs to be a focus on the here and now through ongoing audits in these areas, as well as providing assurance on the recent administration of Business Grants on behalf of Welsh Government.

A Member made reference to the benchmarking with core cities and the productive and unproductive costs/days which did not seem a fair comparison. The Audit Manager agreed to check the core cities comparative 'chargeable' benchmarking value, and to correct in the event of a typo.

It was agreed that Audit Committee receive a confidential briefing in respect of 'fly tipping'.

RESOLVED: to note the report.

1. The Audit Manager to check the core cities comparative 'chargeable' benchmarking value, and to correct in the event of a typo.
2. Audit Committee to receive a confidential briefing in respect of 'fly tipping'.

7 : INTERNAL AUDIT CHARTER AND PLAN 2020/21

The Audit Manager provided Members with an overview of the Internal Audit Charter and Plan 2020/21. A summary of the report was outlined and Members' attention was drawn to the adjustments noted in paragraph 11. It was noted that the Auditors' were not at normal capacity and the overall level of the plan which can be delivered will be lower than previous years, mainly at service area level. Priority will be given to completing fundamental system audits, governance and other assurance audits, and key thematic studies.

RESOLVED To:

- I. Approve the Internal Audit Charter and Audit Committee Terms of Reference 2020/21
- II. Approve the Internal Audit Plan, 2020/21

8 : AUDIT AND INVESTIGATION TEAM - PROGRESS UPDATE 2020/21

The Audit Manager provided Members with an update of the Audit and Investigation Team – Progress 2020/21. A summary of the report was outlined with particular attention drawn to delays, impacts and resources and that Performance Indicators would be reset on that basis.

A Member asked if they should be concerned about the amount of audits and unsatisfactory recommendations in relation to Waste Management. The Audit Manager agreed that there has been a lower level assurance in this service area, and a comparatively weaker control environment in that area. Members were reminded that the Corporate Director had been clear in their attendance at Audit Committee that ongoing improvements were required, and the Audit Manager advised that conversations with management were open and effective. The area was being looked at with a higher level of frequency in agreement with senior management, given the ongoing need for assurance in this area. Members were reminded that there is a follow up regime for any unsatisfactory opinions. Management have been responding positively to recommendations, but there will be a need to see the necessary improvements through the follow up review.

RESOLVED: to note the report.

9 : FINANCE

10 : FINANCIAL UPDATE (INCLUDING RESILIENCE ISSUES)

Councillor Williams declared a personal interest in this item as he is employed by BCB International. BCB International supplies the Council and its partners with Personal Protective Equipment

Chris Lee provided Members with a verbal financial update with a brief overview with regards to Covid-19. Members were reminded that the Cabinet Report on 11 June set out the Council's response to the pandemic. The first quarter had seen urgent decisions made under general delegations and there were funding mechanisms to claim monies back. It was noted that Covid-19 funding would not be everlasting and cannot be presumed going forward so will need close scrutiny.

Members were informed of the position in respect to claiming additional covid related expenditure and at the end of the first quarter expenditure this was circa. £22.5 million which included PPE, Free School Meals, Support for Care Providers, meaning a significant draw down from Welsh Government, the total of this would be reclaimed, £9.5 million had been received so far and a further claim for June had been submitted on 15 July and a response was being awaited.

There had been mitigation in the form of steps being taken through measures such as furloughing of staff. However, there was inevitable income loss through sources such as Cultural Venues, Catering, Parking and Traffic offences.

Delayed income such as land charges, planning fees and rental income had also been experienced and concern was expressed that these areas required monitoring and management to ensure that they did not become lost income over the longer term. Claims on income loss had been submitted for the period in the last 2 weeks.

Chris Lee gave an overview of the Quarter 2 position and stated that analysis was ongoing internally, there were many challenges such as TTP, restart of schools, Social Care funding and Council Tax Reduction Scheme and Benefits; amongst others.. Moving forward and from an Audit perspective, a report would be brought to the next meeting on the Statement of Accounts 2019/20 which would note the Covid-19 impact in March. Cabinet would be receiving a report in the autumn updating the Month 4 position which would include spend, updated MTFP, WG funding, assumptions and update on settlement (if known).

RESOLVED: to note the report.

11 : GOVERNANCE & RISK MANAGEMENT

12 : AUDIT COMMITTEE ANNUAL REPORT 2019/20

Members were provided with a brief overview of the Audit Committee Annual Report 2019/20 and questions or comments were invited.

A Member made reference to page 13 of the report and that it reflected the Audit Committee's concerns about the actions and speediness of actions on poor audit outcomes in Schools. Members referred to the Audit Committees expectations with regards to regular updates on School Governance. It was noted that schools are under increased pressure currently but it was important not to lose sight of the significant shortcomings that had been identified and were now compounded by Covid-19. Members did not wish to wait too long before they received a report from the Director of Education and Lifelong Learning.

The Chairperson shared the same concerns and noted there was currently an appointment process for a new Director, who would be in post in the latter part of the year. The Chairperson considered that the matters needed to be pursued anyway, within the constraints of the change of leadership and stressed that he wanted to establish a constructive relationship with the new Director from the outset.

The Audit Manager explained that in terms of internal audit all schools would be required to complete a control risk self-assessment later in the autumn term, which would be followed up with audit testing. There is a need to allow schools to reopen and function safely before any direct audit engagement, but the approach would be considered, and audit staff may not be able to physically visit schools this financial year. Members were happy with the approach outlined.

RESOLVED: to note the report.

1. Audit Committee to engage with the Director of Education and Lifelong Learning as part of its work programme.

13 : DRAFT ANNUAL GOVERNANCE STATEMENT 2019/20 (INC. Y/E SENIOR MANAGEMENT ASSURANCE STATEMENTS)

Ian Allwood (Head of Finance) outlined the Draft Annual Governance Statement to Members. Members' attention was drawn to paragraph 6 in the report in relation to Covid-19 and Paragraph's 14-18 in relation to the Senior Management Statement.

The Chairperson made reference to the mixed themes in paragraph 8 and sought assurance that things could be improved going forward. The Head of Finance explained that some exam questions for assurance have been changed due the Covid-19 environment and there had been changes in terms of service delivery. It is intended to make changes to the assurance questions and to move with further confidence in the autumn.

RESOLVED: to note the report.

14 : CORPORATE RISK MANAGEMENT (YEAR-END)

Ian Allwood (Head of Finance) outlined the Corporate Risk Management (Year-End) report to Members.

Members noted the 216 risks that had been identified and that 8 risks remained escalated to SMT as outlined in the report at paragraph 9.

Members also noted that the Risk Register now included an aggregated section on Climate Risk and working papers on this were available to Members is requested.

Members were advised that risks identified as a result of Covid-19 and those shaped by Covid-19, would be included in the risks in the Quarter 1 report.

Members noted that the UK had a planned exit from the EU on the 31 December 2020 and work was continuing to ensure any impacts to Cardiff would be navigated appropriately.

A Member asked if all the Quarter 1 reviews had been completed and Officers advised that they have been completed and that many risks were identified as a result of Covid-19.

A Member made reference to the fast moving situation with the pandemic and asked if any thought had been given as to whether quarterly reporting was currently appropriate. Officers explained that prior to the pandemic, SMT met on a weekly basis but, at the beginning of the pandemic this became daily and currently it was 3 times per week. The management of risks as challenges arose were / are discussed regularly with Directors having the opportunity to raise concerns and risks in those meetings. Officers are informed that Directorates are regularly informing their risk registers. Members asked if the Quarter 1 report could include a flavour of the additional energy and effort, frequency and process that was now needed. Officers felt that the Risk Methodology used allowed SMT and service areas to react to and track risks appropriately and this can be covered in the next report.

A Member considered it could be useful to have an idea of how the framework has supported SMT in these additional challenges, and asked if Officers have considered changing the Risk Register to show ways to do things better. Officers explained that COVID-19 was not a risk in itself but more of environment in which we have to

navigate risks within it; adding that risk management seemed to be more natural as it was responding to the impacts of the pandemic.

RESOLVED: to note the report.

15 : WALES AUDIT OFFICE

16 : ANNUAL AUDIT PLAN

Phil Pugh (Audit Wales) outlined the Annual Audit Plan to Members.

Members' attention was drawn to Audit of Financial Statements and the key risks that have been identified at the planning stage.

Key points throughout the report were referenced and Members were asked to note that there was 1 potential conflict of interest in the Audit Team, in that an employee of Cardiff Council is a friend and former colleague of Phil Pugh's; all other members of the team are independent and it was considered that appropriate arrangements were in place to ensure no risk.

A Member sought clarification on costs across the Audit team and considered it would be useful for a breakdown of costs to be included in the report on an annual basis.

RESOLVED that

- I. Audit Wales to provide a breakdown of the budgeted staffing levels and costs which make up their audit fee for the Committee meeting on 8 September 2020 and for this to be included in the Annual Audit Plan report going forward.
- II. The report be noted.

17 : CARDIFF & VALE PENSION FUND AUDIT PLAN

Phil Pugh (WAO) outlined the Cardiff & Vale Pension Fund Audit Plan to Members.

Members' attention was drawn to the key items listed in paragraph 10 of the report. Members discussed the make of the Audit Team and Fees as noted in paragraph 20 of the report.

RESOLVED that

- I. Audit Wales to provide a breakdown of the budgeted staffing levels and costs which make up their audit fee for the Committee meeting on 8 September 2020.
- II. The report be noted.

18 : WAO ACTIVITY/REPORT PROGRESS UPDATE

Samantha Clements (WAO) provided Members with update on WAO Activity and Report Progress.

Members' attention was drawn to the changes due to Covid-19. It was noted that Waste Management Recycling and Financial Sustainability reports has already been issued. The report on budget pressures in Social Services had been withdrawn due to the increasing pressures with Covid-19, but would be revisited as part of assurance and risk assessment work in the autumn.

It was noted that the 2019-20 Annual Improvement report which was a compilation of key findings, would be published in the autumn.

For 2020-2021, the first three items were in relation to the Local Government Measure Act and the first 2 constitute certificates; the Improvement Plan certificate was issued in May; the Annual Performance Report is scheduled for October; the Annual Improvement Report relating to next year will happen in around a year's time.

Members were advised of the three main pieces of work within the Assurance and Risk Assessment Plan which were being focussed on due to the pandemic as being Recovery Planning, Financial Sustainability and Modernisation of the Workforce.

The final change to the plan for 2020-21 was the Covid-19 learning project was outlined to Members. This project would take information from lots of sources, use the sense maker tool, find notable practices and share lessons of learning. Links would be provided to Members.

RESOLVED: to note the report.

19 : OUTSTANDING ACTIONS

Members and Officers discussed the Coastal Risk Management recommendations and the approach taken by the Directorate. Members considered that it can be closed for now in terms of work programming but as Audit Committee considers the Risk Register quarterly, they can re-engage and re-work programme in due course if need be.

RESOLVED: that.

1. A future risk management update, to provide more information on the operation of risk management practices in the current environment.

20 : WORK PROGRAMME UPDATE

The Work Programme was outlined to Members. It was noted that due to the current pandemic there was limited capacity to operate as business as usual and that some matters will be dealt with outside of Committee; Senior Officer Assurance was needed on this.

RESOLVED: to note the work programme.

21 : URGENT ITEMS (IF ANY)

None received.

22 : DATE OF NEXT MEETING - 8 SEPTEMBER 2020

The meeting terminated at 4.10 pm