



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

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

AGENDA

Pwyllgor PWYLLGOR ARCHWILIO

Dyddiad ac amser y cyfarfod DYDD MAWRTH, 26 IONAWR 2021, 4.30 PM

Lleoliad MS TEAMS

Aelodaeth Hugh Thomas (Cadeirydd), Gavin McArthur, David Price
Y Cynghorwyr Cowan, Cunnah, Goodway, Howells, Simmons, Singh
a/ac Williams

Tua
Amser.

1 Ymddiheuriadau am Absenoldeb 4.30 pm

Derbyn ymddiheuriadau am absenoldeb.

2 Datgan Buddiannau

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

3 Aelodaeth Pwyllgorau

Nodi bod y Cyngor ar 26 Tachwedd 2020 wedi penodi'r Aelodau canlynol i'r Pwyllgor hwn:

Aelodau Annibynnol:

Hugh Thomas, David Price, Gavin McArthur, Ian Arundale
Cynghorwyr: Cowan, Cunnah, Goodway, Howells, Lister, Simmons,
Singh, Williams

4 Cylch Gorchwyl y Pwyllgor Archwilio (*Tudalennau 5 - 8*)

I nodi Cylch Gorchwyl y Pwyllgor Archwilio – gweler yr atodiad

5 Cofnodion (*Tudalennau 9 - 16*)

Cymeradwyo cofnodion y cyfarfod a gynhaliwyd ar 17 Tachwedd 2020 fe gwir gofnod.

6	Sarah McGill, Cyfarwyddwr Corfforaethol - Pobl a Chymunedau <i>(Tudalennau 17 - 22)</i>	4.40 pm
	Y wybodaeth ddiweddaraf am yr Amgylchedd Rheoli Gwasanaethau Cymdeithasol	
7	Cyllid	5.05 pm
7.1	Diweddariad ar Gyllid gan gynnwys Materion Gwydnwch	
8	Llywodraethiant a Rheoli Risg	5.15 pm
8.1	Traciwr Argymhellion Archwilio Allanol <i>(Tudalennau 23 - 44)</i>	
8.2	Datganiad Sicrwydd Uwch Reolwyr a Chynllun Gweithredu'r Datganiad Llywodraethu Blynyddol 2020/21 (canol y flwyddyn)	
EGWYL - 5:45pm		
9	Swyddfa Archwilio Cymru	5.50 pm
9.1	Adroddiad Blynyddol Cryno ar Archwilio <i>(Tudalennau 45 - 62)</i> Mae Adroddiad Blynyddol Cryno ar Archwilio yn disodli'r Llythyr Archwilio Blynyddol blaenorol a'r Adroddiad Gwella Blynyddol a roddwyd yn flaenorol i Gyngorau gydag un Crynodeb cyfunol.	
9.2	Archwilio Cymru - Rhaglen Waith / Diweddariad ar Weithgarwch <i>(Tudalennau 63 - 66)</i>	
10	Archwilio Mewnol	6.10 pm
10.1	Y Tîm Archwilio ac Ymchwiliadau - Diweddariad ar Gynnydd <i>(Tudalennau 67 - 156)</i>	
10.2	Siartr Archwilio Ddrafft a Chynllun Archwilio Drafft 2021/22 <i>(Tudalennau 157 - 186)</i>	
10.3	Polisi Drafft Monitro Cyflogaion yn y Gwaith <i>(Tudalennau 187 - 206)</i>	
11	Rheoli'r Trysorlys	6.50 pm
11.1	Adroddiad ar Berfformiad <i>(Tudalennau 207 - 212)</i>	
11.2	Strategaeth Ddrafft 2021/22 <i>(Tudalennau 213 - 250)</i>	
12	Camau sy'n weddill <i>(Tudalennau 251 - 252)</i>	7.05 pm
13	Gohebiaeth	
14	Diweddariad ar y Rhaglen Waith <i>(Tudalennau 253 - 254)</i>	
15	Eitemau Brys (os oes rhai)	

Davina Fiore

Cyfarwyddwr Llywodraethu a Gwasanaethau Cyfreithiol

Dyddiad: Dydd Mercher, 20 Ionawr 2021

Cyswllt: Graham Porter, 02920 873401, g.porter@caerdydd.gov.uk

GWE-DARLLEDU

Caiff y cyfarfod hwn ei ffilmio i'w ddarlledu'n fyw a/neu yn olynol trwy wefan y Cyngor. Caiff yr holl gyfarfod ei ffilmio, heblaw am eitemau eithriedig neu gyfrinachol, a bydd y ffilm ar gael ar y wefan am 12 mis. Cedwir copi o'r recordiad yn unol â pholisi cadw data'r Cyngor.

Gall aelodau'r cyhoedd hefyd ffilmio neu recordio'r cyfarfod hwn

Ar ddechrau'r cyfarfod, bydd y Cadeirydd yn cadarnhau a gaiff y cyfarfod cyfan neu ran ohono ei ffilmio. Fel rheol, ni chaiff ardaloedd y cyhoedd eu ffilmio. Fodd bynnag, wrth fynd i'r ystafell gyfarfod a defnyddio'r ardal gyhoeddus, mae aelodau'r cyhoedd yn cydsynio i gael eu ffilmio ac y defnyddir y lluniau a recordiadau sain hynny o bosibl at ddibenion gwe-ddarlledu a/neu hyfforddi.

Os oes gennych gwestiynau ynghylch gwe-ddarlledu cyfarfodydd, cysylltwch â'r Gwasanaethau Pwyllgorau ac Aelodau ar 02920 872020 neu e-bost [Gwasanethau Democrataidd](#)

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, and its wider citizens and stakeholders, on 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

17 NOVEMBER 2020

Present: Independent Members: David Hugh Thomas (Chairperson)
Gavin McArthur and David Price
Councillors Goodway, Howells and Williams

47 : APOLOGIES FOR ABSENCE

Apologies were received from Councillors Cunnah, Lister and Simmons

48 : DECLARATIONS OF INTEREST

No declarations of interest were received.

49 : MINUTES

The minutes of the meetings held on 8 September and 20 October 2020 were approved by the Committee as a correct record. A typographical error was noted and corrected in the minutes of 20 October 2020.

Audit Committee Matters

50 : IAN ARUNDALE - LEAVE OF ABSENCE REQUEST

The Committee was asked to consider the request to extend an Independent Member's leave of absence ahead formal Council approval. Members were reminded that Council has approved Mr Ian Arundale's leave of absence on 28 November 2019 to enable him to take up a short-term contract with Cleveland Police. They were provided with details of Mr Arundale's formal request that his leave of absence be extended to cover the remainder of the municipal year.

The Chair advised that the Independent Member had discussed the request with him personally, and advised of his ongoing strong commitment to returning as an active Member of the Audit Committee. Members supported the leave of absence request and resolved to recommend approval of the request to Full Council.

RESOLVED – That the Audit Committee:

- (1) notes the request for an extension of the leave of absence of Ian Arundale to the end of the municipal year 2020/21;
- (2) Recommends the approval of the request to Full Council.

51 : AUDIT COMMITTEE MEETING TIMES

The Committee received a briefing note providing Members with an opportunity to review the timings of meetings in order to support effective participation. Members were requested to share their views on the timing of Committee meetings and to determine the most suitable time for future meetings to be held.

Every members was invited to comment. Gary Jones, Head of Democratic Services stated that two members who were not present have indicated that their preference would be for evening meetings due to difficulties with work commitments. Members of the Committee expressed their views and made a number of suggestions including alternating the start time of meetings between afternoon and evening meetings. Members expressed a preference to have a meetings on a fixed day of the week and to have dates and times agreed well in advance. The Committee was asked to have regard to the business to be transacted on the agenda when considering the start times of meetings.

Members also discussed the possibility of continuing to attend meetings remotely in the future in order to allow Members some flexibility in terms of how they attend meetings. The Head of Democratic Services stated that the logistics and technical issues around the possibility of holding 'hybrid' meetings, where some members attend in person and some members attend remotely, are currently being assessed.

Officers were unanimous in their view that their role is to support the Committee and they would be guided by the start times are Members deem appropriate. External invitees concurred with that view.

The Head of Democratic Services advised that there are two Audit Committee due to be held in the remainder of the municipal year. With the Committee's approval, it was suggested that Audit Committee remain on Tuesdays but start times be alternated between an afternoon and an evening as a pilot, following which, Members will then be asked to indicate their preference going forward.

RESOLVED – That:

- (1) the Committee meeting on 26 January 2020 be held at 4.30pm and the meeting on 23 March 2021 be held at 2.00pm;
- (2) following the meeting on 23 March 2021 Members be asked to indicate their preference for the start times of meetings going forward.

Finance

52 : FINANCIAL UPDATE INCLUDING RESILIENCE ISSUES

The Corporate Director Resources provided a verbal financial update, including reference to resilience issues and Covid-19 related matters.

Members were advised that the Statement of Accounts for 2019/20 were approved by Council. A Month 6 monitoring report will be presented to the Cabinet shortly. The general highlights in the Month 6 report were reported. Covid related spend to the end of September totalled approximately £32 million. Expenditure has been claimed from Welsh Government until the end of August totalling £27.4 million of which £25.3 million had been received. In terms of income, the Quarter 1 loss of income was £13.4 million, of which £13.1 million has been reimbursed. The Quarter 2 claim was submitted to Welsh Government during November totalling almost £9 million. Members were ask to note the continued support and engagement with Welsh Government throughout the pandemic. Support to local authorities across Wales to date totals £510 million.

In terms of the Month 6 position, a net overspend of £1.133 million is projected. This represents an improvement of the Month 4 position of around £850,000 following improvements in the financial position in Children's Services and Education. The directorate position is offset by the general contingency set aside in the budget. In year savings of £3.1 million have been identified which have allowed directorates to offset against areas where savings were not being realised.

A Medium Year Financial Plan has been prepared and was presented to both Cabinet and Council. The plan showed a budget gap of £25 million in the next financial year with an assumption of Welsh Government support at +1.5%. The pandemic has been a major issue in terms of estimating the position in 2021/22 and has impacted upon the authority's ability to set a robust budget strategy for the year. This has also been compounded by delays in the process during the current year. The provisional settlement from Welsh Government will not be released until 22 December 2020. Consultation on budget proposals will now take place immediately after Christmas.

53 : COMMERCIALISATION IN LOCAL GOVERNMENT

In October 2020, the Auditor General for Wales issued a report on Commercialisation in Local Government. The report recommended that Councils use Audit Wales self-evaluation tools to develop a strategy for the extent to which they wish to pursue commercialisation. Members were asked to consider and comment on the report.

The Head of Finance was invited to introduce the report. The Committee was advised that the intention was for the authority to commence a self-review exercise and report to the Audit Committee in late Spring.

Members were invited to comment or seek clarification on the report.

A Member raised concerns about the language used in the Audit Wales report. The Member considered that public services are not commercial services. Therefore, it must be questioned why such services would be delivered in a commercial way.

A Member asked why officers were contemplating bringing these issues before the Council when the current administration is unlikely to entertain the commercialisation of its services. The Head of Finance stated that intention was to acknowledge the Audit Wales report and to consider the recommendations in order to establish what can be learnt, adapted and rejected as officers.

Concerns were expressed that there was no policy direction from the administration regarding the commercialisation of services and therefore, in order to protect public services, such a self-assessment exercise should not be considered. Members of the Committee considered that the issue of commercialisation was a political decision for the Council. Members questioned whether the Audit Committee was the appropriate forum to debate this issue.

The Corporate Director Resources stated in completing the analysis there may be an opportunity to articulate the concerns expressed by Members. Sara-Jane Byrne welcomed the active consideration of the report. Members advised that the Audit Wales report was not prescriptive in terms of its definition of 'commercialisation' and there was a broad spectrum in approaches to how commercialisation is applied.

RESOLVED – That:

- (1) The Committee notes the report;
- (2) The Committee receives an update on the results of the self-review exercise by April 2021

Governance and Risk Management

54 : CORPORATE RISK MANAGEMENT 2020/21 (MID-YEAR UPDATE)

The Head of Finance presented the Corporate Risk Management Mid-Year update for 2020/21. The Committee received a summary of the report including the impact and challenges associated with the Covid-19 pandemic on the risk register and the continuing work ensuring risks associated with Brexit are managed appropriately.

Members were asked to note that two Corporate Risks in relation to workforce planning and delivery of the Capital Ambition delivery programme are being managed at a directorate level. It was also proposed that a risk titled School Organisational Planning be broadened to ensure that there is a corporate view on the risks associated with infrastructure planning across the Council.

In relation to the Health and Safety risk, a Member noted the repurposing of infection controls in response to Covid-19. Members asked whether the impact likelihood on that risk should be re-evaluated. Officers welcomed the comment and agreed to pass the observation back to the risk owner.

RESOLVED – That the report be noted.

Internal Audit

55 : AUDIT AND INVESTIGATION TEAM - PROGRESS UPDATE

The Audit Manager presented the Internal Audit and Investigation Team Progress reports for Quarter 2.

The reports provided a summary of current activities. The Audit Manager asked Members to note that the Audit Plan is behind schedule as the Covid-19 crisis has impacted significantly on audit clients and the capacity of the Audit Team.

The Audit Manager requested the Committee's approval to defer 32 audit engagements from the Audit Plan. A Member sought assurance that there were no significant risks associated with that action. The Audit Manager advised that it was not possible to guarantee that there was no risk, but that there was a systematic and risk-based approach to prioritising audits, through which all fundamental systems are scheduled for audit, with none deferred. Members were advised that the prioritisation of all other audits has taken into account matters such as the extent of inherent change and risk, the content of risk registers, management assurance statements and the opinion and scope of the last audit together with the time since the last audit review.

The Audit Manager advised that there is always a level of the Audit Plan that is not achieved, and that the audits proposed to be deferred represent areas where assurance will be sought going forward, but for which there is less direct importance

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

to the annual audit opinion for 2020/21, in consideration of audit coverage, risk, and through director discussion.

Members asked whether the Audit Manager was concerned at the level of 'red/amber' recommendations that are currently outstanding and passed their deadline, particularly in Education and Economic Development. The Audit Manager considered that it was vital that recommendations are delivered and acted upon. As part of the Council's response to the Covid-19 crisis, service areas have rightly focussed on addressing critical priority needs, but that there is a need to ensure that recommendations are delivered on a timely basis. The Audit Manager advised that he was due to report the position in terms of open recommendations to the Senior Management Team and that the Chief Executive continues to emphasise the need for audit recommendations to be promptly progressed.

RESOLVED – That:

- (1) The Committee notes the report;
- (2) The Committee approved the deferral of 32 audit engagements from the Audit Plan 2020/21.

56 : DRAFT ANTI-MONEY LAUNDERING POLICY

The Audit Manager presented a report on the Draft Anti-Money Laundering Strategy. The report was prepared to provide Audit Committee with an opportunity to comment on and consider the Anti-Money Laundering Strategy prior its consideration for approval by Cabinet in December 2020.

Members were advised that the revised strategy updated the existing policy by incorporating the requirements of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and the Money Laundering and Terrorist Financing (amendment) Regulations 2019. The draft policy was subject to consideration and comment from the portfolio Cabinet Member, Senior Management Team, Trade Union colleagues and the Equalities Team and comments received were incorporated into the draft policy attached at Appendix A of the report.

A Member advised that he had no substantive comments, but that given time constraints he would like to discuss technical matters with the Audit Manager outside the meeting, which was agreed.

RESOLVED – That the report be noted.

Treasury Management

57 : PERFORMANCE REPORT

The Operational Manager (OM), Capital, Corporate and Treasury presented the Treasury Management Performance report as at 30 September 2020.

Members were advised that investments totalled £165.8 million. Members were asked to note that interest rates on short-term investments had turned negative.

No new loans have been undertaken during the year to date. Loans for specific capital projects from Welsh Government and Salix are being considered subject to approval of those projects and included loans for energy efficiency and distribution projects and town centre loan schemes which may be received during the remainder of the year. Current assumptions are that the only loans that will be replaced are £20 million of short term maturing loans in January 2021, initially taken towards the acquisition of the Red Dragon Centre.

RESOLVED – That the report be noted.

58 : HALF YEAR REPORT

The Committee received a report on the Council's treasury management activities since 1 April 2020 and the position as at 30 September 2020.

A Member referred to the Capital Financing Requirement. It was noted that capital financing would increase from approximately £800 million to £1.1 billion over the next 5 years. The Operational Manager Capital, Corporate and Treasury was asked how this would impact on the revenue account in terms of the interest payments associated with that rise.

The Operational Manager advised that the rise in the requirement was associated with significant investment in new housing and, the 21st Century Schools Programme. School investment is predicated on a financial model where affordability and mechanisms are in place to meet any interest payments arising. The administration also aims to create 2,000 affordable homes within the Housing Revenue Account which is paid for by rent income assumed. The position is reviewed annually as part of the capital programme. The Treasury Strategy includes indicators that demonstrate how much of the revenue budget is used to service interest payments each year.

Members asked when the Welsh Government's interest-free town centre and energy projects loans will need to be repaid and whether this would result in further borrowing. The Operational Manager indicated that the energy efficiency loans would be repaid over an 8 year from savings identified from energy saving measures. The town centre loans are repayable within 15 years. As part of the Council's due diligence a partial covenant is taken. Where the Council has given a developer a loan to bring a site back into beneficial use there is an expectation that that loan is repaid. The Welsh Government will expect the loan to be returned at a set point and the risk ultimately sits with the Council. This results in extra due diligence on the Council's part to ensure these loans can be repaid.

RESOLVED – That the report be noted.

59 : OUTSTANDING ACTIONS

RESOLVED – That the report be noted.

60 : CORRESPONDENCE

No correspondence was received.

61 : WORK PROGRAMME UPDATE

RESOLVED – That the report be noted.

62 : URGENT ITEMS (IF ANY)

No urgent items were received.

63 : DATE OF NEXT MEETING - 26 JANUARY 2021

The meeting terminated at 4.30 pm

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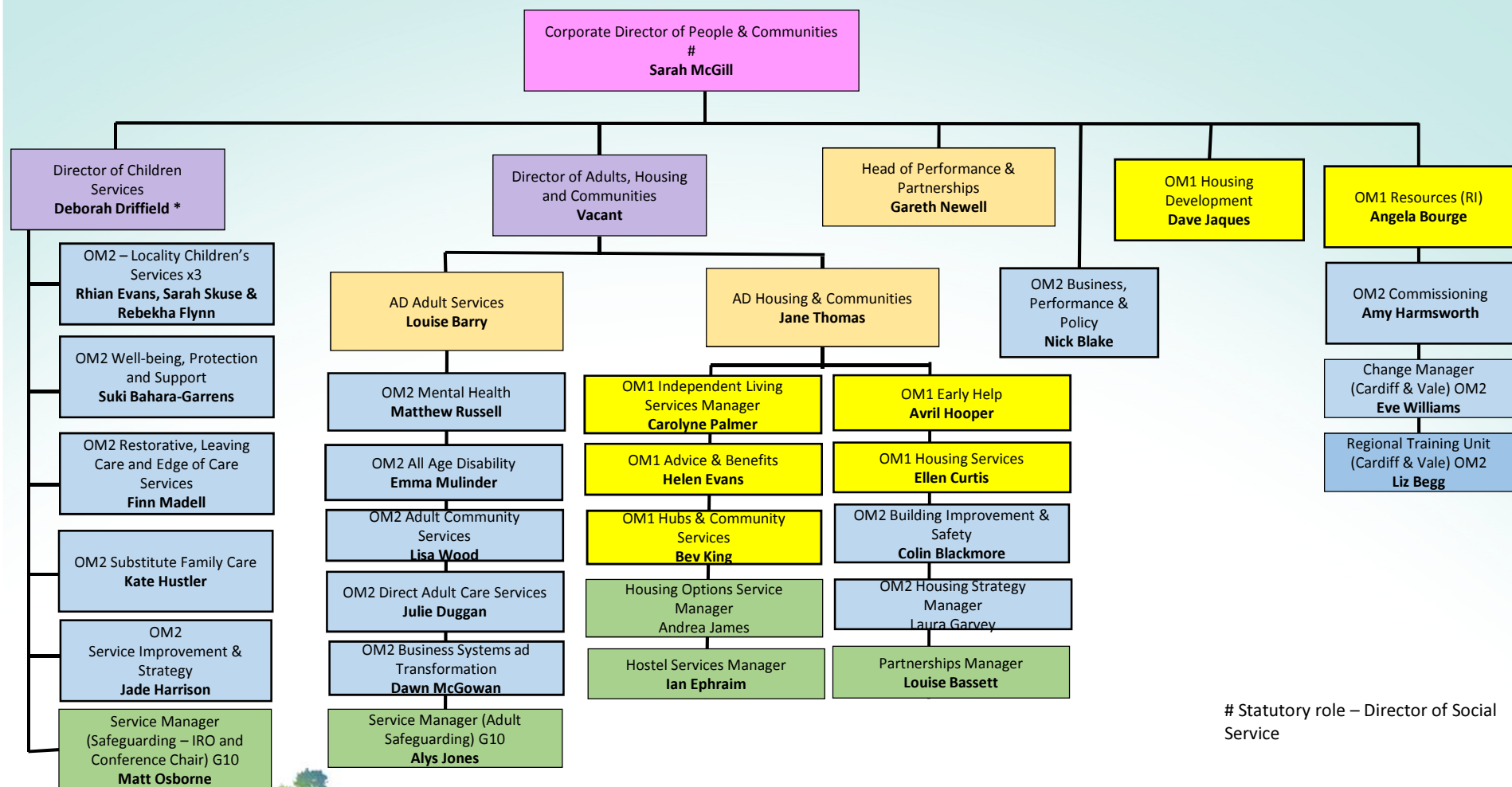
People & Communities – Social Services Audit Committee 26th January 2021



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

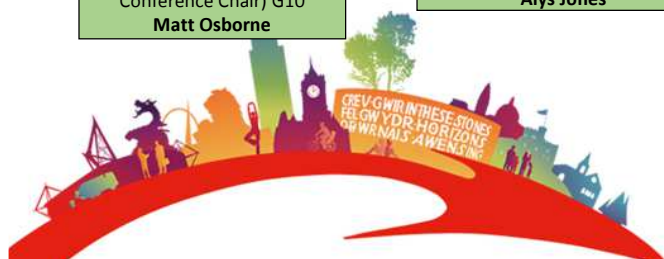


People & Communities Organisational Chart



Statutory role – Director of Social Service

Tudalen 18



Audit Status

Audit	Report Status	Audit Opinion	Outstanding Actions	Completed Actions	Total Actions	Implementation Status
2020/21						
Income and debtors	Draft report issued	Effective with opportunity for improvement			3	<i>Draft report being considered by management</i>
Commissioning and procurement	Final report issued	Insufficient with major improvement needed	1	4	5	1 x not yet due
2019/20						
Asset management	Final report issued	Insufficient with major improvement needed	3	0	3	3 x not yet due (action date 31.03.21)
Foster carers	Final report issued	Effective with opportunity for improvement	2	5	7	2 x not yet due (action dates end of January 2021)
Safeguarding – follow up	Final report issued	Effective with opportunity for improvement	1	3	4	1 x not yet due (action date end of January 2021)
Health and safety	Final report issued	Effective with opportunity for improvement	2	3	5	2 x not yet due (action dates at end of January and March 2021)
Domiciliary Care	Final report issued	Insufficient with major improvement needed	8	0	8	8 x not yet due (action date 01.04.21)
Direct payments	Final report issued	Insufficient with major improvement needed	4	2	6	4 x not yet due (action dates commencing 28.02.21)
Deprivation of Liberty Safeguards	Final report issued	Insufficient with major improvement needed	3	0	3	3 x not yet due (action date 31.03.21)
Learning disabilities	Final report issued	Effective with opportunity for improvement	2	0	2	2 x not yet due (action date 31.06.21)

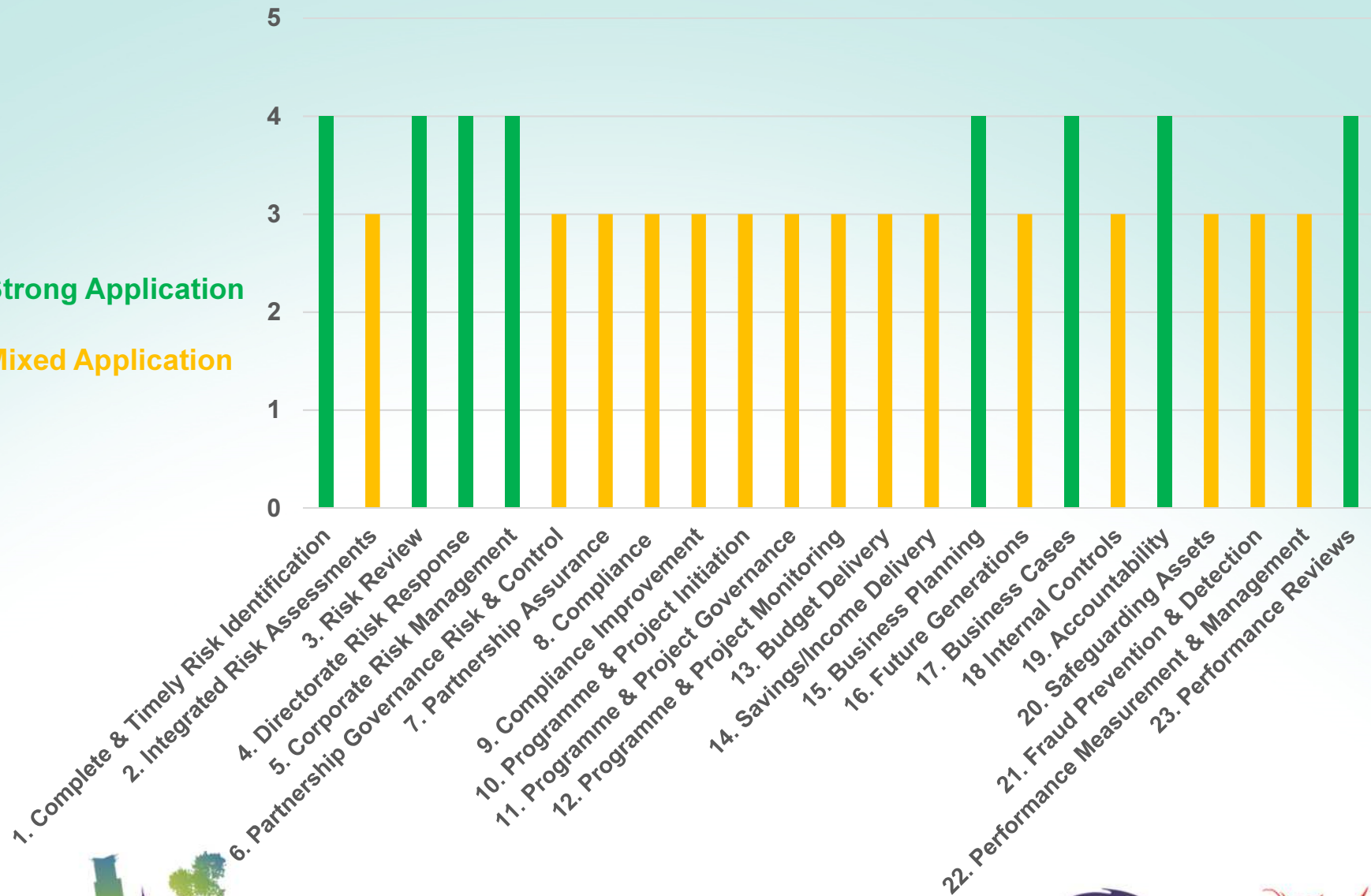


Senior Management Assurance Statement

Tudalen 20

4 = Strong Application

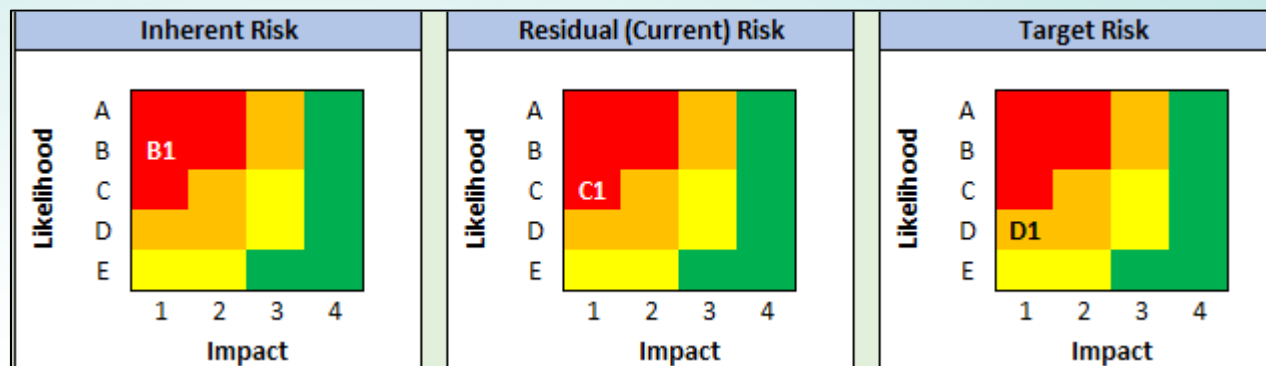
3 = Mixed Application



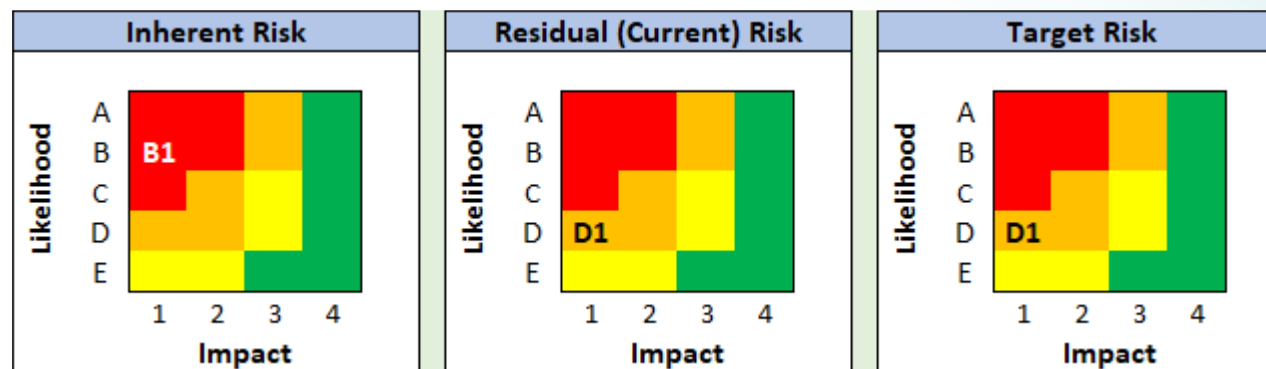
Risks

Items on the Corporate Risk Register Q3 2020/21

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



Safeguarding



External Regulation

CIW Inspection : 2 week Risk Based Inspection 23rd Nov – 3rd Dec 2020

- How well Children's Services had progressed
- How well Social Services continue to help and support adults and children

Inspectors focussed on:

- 1) How well local authorities discharge their statutory functions to keep people safe and promote well-being during the pandemic.
- 2) How well local authorities are providing early help, care and support and seamless transitions between services for disabled children and their families.
- 3) What are local authorities doing to prevent the need for children to come into care; and are children returning home to their families quickly enough where safe to do so?

Youth Justice Inspection

- HMIP update visit on 2/12 noted many improvements regarding governance and oversight - focus now needs to be on case management and practice
- Follow up inspection in 2021/22



AUDIT COMMITTEE: 26 JANUARY 2021

EXTERNAL AUDIT RECOMMENDATION TRACKER

REPORT OF HEAD OF PERFORMANCE AND PARTNERSHIPS

AGENDA ITEM: 8.1

Reason for this Report

1. This report provides an update on the management and delivery of recommendations received from Audit Wales.
2. The Audit Committee Terms of Reference requires the Audit Committee to:
 - Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
 - Consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
 - Consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
 - Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts
 - Comment on the scope and depth of external audit work, and to ensure it gives value for money.

Background

3. The Audit Committee receives regular updates on the work of the Council's external auditors, and information in respect of the reports underway and completed as part of Committee meetings. This item has been introduced, to provide a periodic overview and account, of the progress made in delivering agreed Audit Wales recommendations, for Audit Committee information and assurance.

Issues

4. Audit Wales conduct an annual programme of inspections and reviews, agreed each year with the Council and presented to Audit Committee.
5. In conducting examinations Audit Wales have the power to make formal recommendations to the Council. The Auditor General for Wales has duties relating to examining whether councils have proper arrangements to ensure economy, efficiency and effectiveness (value for money) under the Public Audit (Wales) Act 2004. In accordance with the Well-being of Future Generations (Wales) Act the Auditor General for Wales is also statutorily required to examine public bodies to

assess the extent to which they have acted in accordance with the sustainable development principle when: a. setting their wellbeing objectives; and b. taking steps to meet them.

6. As part of the Council's new Performance Management Framework, which is being developed in response to the Local Government and Elections (Wales) Bill, the Council has introduced stronger corporate assurance and oversight to ensure that the Council is responding to these recommendations.
7. Appendix 1 contains an overview of progress against Audit Wales work programme and recommendations made over the financial years 2017/18, 18/19 and 19/20, including the following reports:

2019/20

- Review of Leisure Services
- Financial Sustainability Assessment

2018/19

- Delivering with Less – Environmental Health Services – Follow-up Review
- Corporate arrangements for the safeguarding of children - Follow-up Review
- Review of the arrangements to support the Capital Ambition Delivery Programme
- Well-being of Future Generations: An Examination of 'Develop and Launch a New Transport and Clean Air Vision for the City'

2017/18:

- Scrutiny: Fit for the Future

8. It is proposed that this update is provided to Audit Committee for information and consideration on a bi-annual basis.
9. It is also proposed that this report also include progress against Audit Wales national reports (where appropriate) and recommendations made by other external regulatory bodies, including Estyn, Care Inspectorate for Wales and Her Majesty's Inspectorate for Prisons.

Legal Implications

10. 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

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

RECOMMENDATIONS

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

Gareth Newell
Head of Performance and Partnerships

The following are attached:

Appendix 1 - Summary: Progress against Audit Wales Programme
Recommendation Table 2019-20
Recommendation Table 2018-19
Recommendation Table 2017-18

Mae'r dudalen hon yn wag yn fwriadol

Appendix 1: Summary: Progress against Audit Wales Programme

2019-20 Performance Audit Work					
Title	Overview	Status	Progress (RAG)		Progress (Open/Closed)
Leisure Services	Examination of the extent to which the Council has acted in accordance with the sustainable development principle when taking steps to meet its Priority for 2019-20 to Support Sports, Leisure, Culture and Green Spaces.	Final report issued November 2020	Recommendations:	6	Open: 6 Closed: 0
			Green	3	
			Amber	2	
			Red	1	
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges.	Final report issued 3 rd April 2020.	Recommendations:	2	Open: 2 Closed: 0
			Green	2	
			Amber	0	
			Red	0	
Waste Management/re cycling	A project to look at the pressures in this area and understand the Council's plans to improve performance.	Draft letter issued 12 th June 2020	Recommendations: 0		Recommendations: 0
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'				
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.	Presentation and discussion at Senior Management Team January 2020.	N/A		N/A
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	N/A		N/A
Performance audit	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to set improvement objectives. Final Certificate issued 20 th August 2019	Final Certificate issued 20 th August 2019	N/A		N/A

2018-19 Performance Audit Work

Corporate safeguarding arrangements	Review of the effectiveness of corporate safeguarding arrangements building on the study previously undertaken by the Auditor General in this area.	Final report issued 27 th June 2019 Presented to CYP Scrutiny Committee 24 th September 2019	Recommendations:	5	Open: 4 Closed: 1
			Green	1	
			Amber	4	
			Red	0	
Transport and Clean Air Vision	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'.	Final report issued 22 nd July 2019	Recommendations:	15	Open: 11 Closed: 4
			Green	15	
			Amber	0	
			Red	0	
Environmental health	Review of the arrangements the Council has put in place to deliver environmental health services building on the study previously undertaken by the Auditor General as part of the 'delivering with less' themed studies. 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?	Final report issued 17 th September 2019.	Recommendations:	9	Open: 8 Closed: 1
			Green	1	
			Amber	8	
			Red	0	
Delivering Capital Ambition	Review to consider whether the Council's arrangements to support the delivery of its four-year 'Capital Ambition' Delivery Programme enabling it to address its key financial and organisational challenges?	Final report issues 29 th April 2019	Recommendations:	3	Open: 0 Closed: 3
			Green	3	
			Amber	0	
			Red	0	
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'	Presented to AC	N/A		N/A
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.	Certificate issued.	N/A		N/A
Performance audit	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to set improvement objectives. Final Certificate issued 20 th August 2019	Certificate issued.	N/A		N/A

2017-18 Performance Audit Work					
Scrutiny: Fit for the Future	National review that explored arrangements for scrutiny in all 22 local authorities.	Final report issued July 2018	Recommendations:	5	Open: 2 Closed: 3
			Green	3	
			Amber	2	
			Red	0	
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.	Certificate issued.	N/A		N/A
Performance audit	Checks Council compliance with Local Government Measure (Wales) 2009 requirement to set improvement objectives. Final Certificate issued 20th August 2019	Certificate issued.	N/A		N/A

Mae'r dudalen hon yn wag yn fwiadol

Recommendation Ref No.	Name of Audit	Recommendation	Management Response	Update Dec 2020	Lead Officer	RAG Status	Open/Closed
FS1	Financial Sustainability	The Council has a medium term financial plan based on reasonable assumptions but needs to consider how it is going to meet its longer-term funding gap, including strengthening the links between its transformation programme and its medium term financial plan.	Agreed - More robust savings methodology introduced in advance of the 2020/21 budget with a focus on: a) Efficiency b) Transformation / Service Change · Business case development strengthened, and no savings included in the budget strategy 2020/21 ‘at planning stage’ · Focus on identification and delivery of savings in year, not just as part of an annual budget setting process.	The Report and Findings were taken to Audit Committee on 17 November 2020. Awaiting Provisional Settlement on 22 December 2020. Intended Cabinet Report on Consultation for January 2021.	Ian Allwood	Green	Open
FS2	Financial Sustainability	The Council has a track record of achieving the majority of its overall savings, but it will become increasingly challenging to deliver them in the future and the Council needs to strengthen its savings planning process.	Agreed - Closer working is underway between Performance, Finance, Risk and Service Planning, both in terms of strategy planning and reporting · The critical issue remains the annual nature of funding settlements, inhibiting the ability to provide sufficiently robust longer-term planning.	The Report and Findings were taken to Audit Committee on 17 November 2020. Awaiting Provisional Settlement on 22 December 2020. Intended Cabinet Report on Consultation for January 2021.	Ian Allwood	Green	Open
Recommendation Ref No.	Name of Audit	Recommendation	Management Response	Update Dec 2020	Lead Officer	RAG Status	Open/Closed
RL1	Review of Leisure	Establish a clear strategy, vision and clear priorities for leisure services, which incorporates consideration of the WFG Act. This should be used to guide the delivery of services provided by GLL.	There are a number of strategic themes already complete such as the Playing Pitch Strategy, Local Sports Plan and Facilities Planning. The Sport, Leisure, Health and Physical Activity Strategy is in development.	The strategy network is established. A specialist consultant is leading and coordinating the research and framework. Three stakeholder workshops have taken place.	Jon Maidment	Green	Open

Recommendation Ref No.	Name of Audit	Recommendation	Management Response	Update Dec 2020	Lead Officer	RAG Status	Open/Closed
RL2	Review of Leisure	<p>Consider how it can strengthen application of the sustainable development principle through the services delivered by GLL, including:</p> <ul style="list-style-type: none"> • Adopt a more strategic approach to collaboration which ensures all organisations including Cardiff and the Vale Health Board/Public Health and the Third Sector are involved in planning and developing GLL and other leisure services at a local and regional level. • Further integrate the planning and delivery of GLL Leisure Services with other public bodies and Council services, such as Education and Social Care. • Listen to, and involve, service users in the development and delivery of GLL and leisure services to ensure they represent the needs and aspirations of the full diversity of local communities they serve 	A response has already commenced, with a number of examples presented to the WAO. Further partnership work is being explored to include Council Services and local communities using the Social Value formulas.	Many examples already exist. COVID- 19 has had a significant impact in this area of work, however, the emerging strategy will identify closer collaboration with alternative sectors to strengthen the sustainable development principle. The return from COVID to this sector is currently very unpredictable and as a result the risk remains at AMBER	Jon Maidment	Amber	Open
Tudalen 32 RL3	Review of Leisure	Improve contract management arrangements to ensure they monitor delivery of the revised specification in a transparent and systematic way.	The governance and monitoring is in place and is included in the contract and service specification. There has been no deviation from the agreed monitoring arrangement other than a more robust system of risk management and reporting.	The GLL partnership is now featured in the Directorate Delivery Plan and Risk Register. This is reported against on a quarterly basis with risks escalated to SMT and reported to Cabinet where appropriate.	Jon Maidment	Green	Open
RL4	Review of Leisure	Undertake a systematic review of the GLL contract service specification to ensure it is fit for purpose and supports the delivery of the Council's vision for its leisure services and is in accordance with the WFG Act.	A response had commenced during the Audit process and was made clear to the WAO. The review is ongoing until completion in March 2021.	Service Specification under review with weekly meetings taking place to identify opportunities. This will be complete in Q4 and presented to Cabinet with legal variations to the contract implemented.	Jon Maidment	Green	Open
RL5	Review of Leisure	Ensure that the Council effectively considers the long-term financial and well-being risks of the leisure contract in its corporate risk management processes.	The financial risk forms part of the Directorate Delivery Plan and Risk Register reports on a quarterly basis as per RL3.	<p>Cabinet briefing in Q3 on financial risk and sustainability. (RL3)</p> <p>The impact of COVID is still unknown however it is clear that the financial implications are significant whereby we project a £2.1M support package to the end of financial year recovered from Welsh Government Hardship Fund.</p> <p>There is no clarity from Welsh Government currently on what support will be available for the sector next financial year which puts the contract at serious risk.</p>	Jon Maidment	Red	Open

Recommendation Ref No.	Name of Audit	Recommendation	Management Response	Update Dec 2020	Lead Officer	RAG Status	Open/Closed
RL6	Review of Leisure	Improve reporting arrangements to ensure members receive a full and timely account of contract performance which includes revenue/expenditure.	As RL3 and RL5	As RL3 and RL5. An informal Cabinet briefing took place in Q3 with GLL and Client management to present the impact of COVID on income and expenditure	Jon Maidment	Amber	Open

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Recommendation Ref No.	Name of Audit	Recommendation	Update Dec 2020	Lead Officer	RAG Status	Open/Closed	
DCA1	Delivering Capital Ambition	The Council needs to strengthen the role of scrutiny in engaging with and challenging the delivery and impact of the Programme to increase accountability and help provide momentum	As noted in DCA2, the Council has reviewed the Delivering Capital Ambition programme and capacity, and refocussed them around corporate improvement priorities, as defined in the Corporate Plan and budget. Scrutiny engagement is directly on th delivery of the Corporate Plan and those improvement priorities.	Dean Thomas / Gary Jones	Green	Closed	
DCA2	Delivering Capital Ambition	The Council would benefit from a review of the Capital Ambition Delivery Programme management arrangements alongside others that support delivery of the Corporate Plan such as the Directorate Delivery Plans	The Council reviewed the management arrangements for the Delivering Capital Ambition team in early 2020 to ensure that the programme capacity was supporting corporate change priorities. This resulted in the refocusing of organisational change and business analysis capacity to support the delivery of the improvement priorities (as identified in the Corporate Plan and Directorate Delivery Plans) through a) The creation of a new Performance and Insight team aligning data analytical, business intelligence and analysis capacity across the Council and b) strengthening of corporate capacity to support the Council’s modernisation programme.	Gareth Newell	Green	Closed	
DCA3	Delivering Capital Ambition	The Council could do more to assess the extent to which the Capital Ambition Delivery Programme is contributing to the achievement of the Council's £91m savings target and make links to the medium term financial plan	Delivering Capital Ambition programme and capacity, and refocussed them around corporate improvement priorities, as defined in the Corporate Plan and budget.	Dean Thomas	Green	Closed	
Recommendation Ref No.	Name of Audit	Recommendation	Management Response	Update Dec 2020	Lead Officer	RAG Status	Open/Closed
EH1	Environmental Health	The Council should subject any future changes to environmental health services to a more rigorous analysis of costs, benefits and impacts. We found some evidence of cost/benefit/impact analysis being performed to enable decision-making around savings and changes to services. Whilst some consideration was given to the impact of staffing restructuring over the period between 2018-2021, members and officers acknowledged that the real impact of this will be largely unknown until £498k of savings begin to take effect.	This proposal for improvement comments upon the delivery of SRS savings across the three Councils only and not budget reductions from the other services within Cardiff. Future SRS changes/savings will undergo rigorous analysis across the three Councils. That process will begin again in May 2020, as the SRS sets out its next three year financial programme covering 2021 to 2024. Proposals will be considered by the SRS Management Board, Elected Members, through the review mechanisms at each Council, the Trade Unions and SRS officers. Changes to the other Environmental Health services delivered by the Council will also be assessed through the established Council mechanisms and that process will pay heed to the requirements of this proposal. Both processes will also take into account the recommendation presented in Proposal 8.	The CoVID 19 outbreak has placed some significant financial demands upon the SRS. Erxternal funding has been provided and a number of additional officers brought into the service to meet those demands. In December 2020, the SRS Joint Committee proposed a "standstill" budget for the service, determining that any future budget savings can only be made in a more stable public health environment	Dave Holland	Amber	Open

Recommendation Ref No.	Name of Audit	Recommendation	Management Response	Update Dec 2020	Lead Officer	RAG Status	Open/Closed
EH2	Environmental Health	The Council should investigate further possibilities for commercialisation and income generation for environmental health services in order to provide additional financial capacity if funding reduces in the future.	The SRS will as part of the budgeting process for 2021/24 undertake a full assessment of existing income streams and determine what additional income might be generated without impacting upon service delivery to local people. Income generation on Environmental Health functions is an important part of the SRS model. SRS has generated new, and increasing, income arising through training and the operation of the Primary Authority scheme. However, Income Generation has limitations, while it will provide some respite if funding for service delivery reduces in the future, it is not a complete panacea for the challenges facing service delivery in the future.	The opportunity to generate additional revenue has been limited by the impact CoVID 19 has had on the economy. Many businesses have closed or curtailed their operations and CoVID related advice has been provided to all sectors of the economy without charge.	Dave Holland	Amber	Open
Tudalen 36 EH3	Environmental Health	When considering how environmental health services may need to change in the future, the Council should ensure that the distinction between statutory and non-statutory services is clearly documented and understood by decisionmakers. This will help to ensure that statutory responsibilities and powers are weighed and prioritised appropriately alongside discretionary services.	Understanding the distinction between statutory and non-statutory services will provide elected members with some insight into which service are legally mandated. However, to date, the SRS business plans are geared toward outcomes; achieving those outcomes involves using all the tools available. This includes statutes that bestow powers upon the Council, but not duties. When the Joint Working Arrangement was created, it defined services in terms of ensuring public health, helping customers to access information and knowledge and securing a safe, healthy, fair, environment. From the outset, the Councils agreed that this required the use of both statutory and non-statutory legislation to achieve service and corporate goals. Going forward the SRS will incorporate into the Business Plans an indication of the “status” of the services being delivered and a rationale for the prioritisation of those activities. Additionally, when the actions identified in Proposal 1 above are undertaken, officers will ensure that decision makers are apprised of the nature of the service being delivered.	This has been addressed through changes to the way in which the Business Plan is presented. The document now presents in a clearer manner those matters that are non-statutory and why they are delivered for the partner Councils.	Dave Holland	Green	Closed
EH4	Environmental Health	The Council should introduce greater independent challenge of the level and quality of services provided by the SRS under the Joint Working Agreement.	Mechanisms are in place for PC Users. Directorate/Service Areas understand requirements for compliance. Policy and Performance monitors and provides monthly compliance reports to individual Directorates/Service Areas. Mechanisms are in place for Non PC Users, and a process flow chart is under development for dissemination to all Directorate/Service Areas to achieve compliance. Directorates/Service Areas are to send Attendance Sheets to Policy Performance and Academy for monthly compliance monitoring. Policy and Performance collate a percentage breakdown of each Directorate on a quarterly basis. Third Quarter figures completed, Fourth Quarter figures available in April 2020. A video is in development to support awareness raising of safeguarding to staff in an engaging way.	An essential services model that is current in place due to coronavirus pandemic. The Work Programmes of the Scrutiny Committees are continually being reviewed and prioritised to support services and effective scrutiny.	Gary Jones	Amber	Open

Recommendation Ref No.	Name of Audit	Recommendation	Management Response	Update Dec 2020	Lead Officer	RAG Status	Open/Closed
EH5	Environmental Health	The Council should work with SRS to undertake a review of business continuity and succession planning arrangements in relation to the SRS to mitigate the risk of overreliance on key individuals, such as the Head of SRS and operational managers.	In 2020, the SRS will produce a four year review of the service to supplement the Annual reports. That review will examine trends in service delivery and service demand since inception in 2015. It will also look forward to the likely delivery mechanisms for the next three years, in line with the budget proposals. An examination of the robustness of the operating model and succession planning arrangements will form part of that review.	The review planned for 2020 has not taken place in the manner envisaged. A report was made to the Scrutiny Committees in Autumn 2020 to assure members of the ongoing work. If the Covid pandemic has shown anything, it has shown that the SRS has a resilient base, continuing to deliver for all three Councils in unprecedented times.	Dave Holland	Amber	Open
EH6	Environmental Health	The Council should strengthen elected member oversight of its environmental health services, for example, through more regular scrutiny of services provided by third parties including the SRS.	Actions identified in improvement proposals P4 above and P7 below will support the achievement of this improvement proposal.	Actions identified in improvement proposals P4 above and P7 below will support the achievement of this improvement proposal.	Gary Jones	Amber	Open
EH7	Environmental Health	The Council should consider introducing more structured and targeted development and training opportunities for relevant members, which may be beneficial in the event of changes in personnel and in areas experiencing changes in environmental health legislation, eg air pollution/food safety/ infectious diseases.	The Head of Shared Regulatory Services will work closely with the Heads of Democratic Services to identify and deliver a programme of briefing sessions/e-learning opportunities that would benefit members across the footprint of the SRS in relation up and coming legislative and policy developments. These briefing sessions/workshops will be incorporated as part of the Member Development Programme.	The Member Development Programme for 2021 is being developed to include appropriate and timely delivery of learning relating to this service and the associated legislation	Gary Jones	Amber	Open
EH8	Environmental Health	The Council should more clearly link any future decisions on changes to service levels to an assessment of impact on relevant stakeholders, including service users and residents. Whether consultation is necessary, and the most appropriate means of consulting should be decided on a case-by-case basis. However, where changes are likely to impact service users, businesses and local residents, they should be aware of and consulted on these decisions.	Currently, dialogue with stakeholders is delivered through the annual consultation on the SRS Business Plans where the programme of activities is articulated and developed through that engagement exercise. This process does not currently extend to residents and businesses. It is proposed to extend the customer satisfaction process to include the opportunity to comment upon any proposed changes in service delivery and to engage the corporate consultation mechanisms to collect more information to form part of the decision making process.	SRS intends to consult stakeholders on activities for 2021, but it is likely that proactive work will be limited. The service has been in "response" mode since March 2020 and has yet to return to a full "business as usual" status.	Dave Holland	Amber	Open
EH9	Environmental Health	The Council needs to build on initiatives, such as the Noise app, to ensure that future funding reductions can be mitigated by innovation and transformation in service delivery and that environmental health services are able to benefit from new technologies.	The SRS is undertaking an ICT review in 2020 that will examine how technology can be deployed further to improve service delivery and where possible make financial savings.	This item has been delayed	Dave Holland	Amber	Open

Recommendation Ref No.	Name of Audit	Recommendation	Update March 2020	Update Dec 2020	Lead Officer	RAG Status	Open/Closed
CS1A	Corporate Safeguarding	The Council should improve its approach to safeguarding training in the following ways: • Get staff through mandatory safeguarding training more quickly and take forward the work identified by the Corporate Safeguarding Board to collate a percentage breakdown of safeguarding training compliance within each Council Directorate	Mechanisms are in place for PC Users. Directorate/Service Areas understand requirements for compliance. Policy and Performance monitors and provides monthly compliance reports to individual Directorates/Service Areas. Mechanisms are in place for Non-PC Users, and a process flow chart is under development for dissemination to all Directorate/Service Areas to achieve compliance. Directorates/Service Areas are to send Attendance Sheets to Policy Performance and Academy for monthly compliance monitoring. Policy and Performance collate a percentage breakdown of each Directorate on a quarterly basis. Third Quarter figures have been completed and Fourth Quarter figures will be available in April 2020. A video is being developed to support awareness raising of safeguarding to staff in an engaging way.	Performance reporting will be on a monthly basis for all directorates from December 2020. Target set at 85% by the end of March 2020 for employees and members - this does not include non-employees (i.e. Agency staff and governors, needs resolution).	Jade Harrison	Amber	Open
CS1B	Corporate Safeguarding	• Ensure it centrally collates safeguarding training records for those staff and volunteers who have had face to face safeguarding training as well as the e-learning safeguarding training	Information centrally collated by the Academy for all staff and volunteers.	Academy collates training for the e-module for permanent employees, including non desk-based staff. Managers are to record on Digigov for employees, but the system needs developing for non-employees, such as agency staff and governors. Additionally, the Digigov volunteer recording function is being built.	Jade Harrison	Amber	Open
Recommendation Ref No.	Name of Audit	Recommendation	Update March 2020	Update Dec 2020	Lead Officer	RAG Status	Open/Closed
CS1C	Corporate Safeguarding	• Clarify when mandatory safeguarding training for staff and members needs to be refreshed	Training levels are being drafted in line with roles and responsibilities. A brief video is being developed to raise staff awareness of safeguarding Council-wide in an accessible way. Those who work directly with citizens will have ongoing CPD requirements. There is reference to individual and manager responsibility to ensure CPD: all of the workforce will be expected to undertake the e-learning safeguarding training module and any other training relevant to the position that they hold and to renew their qualifications to the highest level.	For decision at CSB/SMT in Jan 2021; recommended for every three years.	Jade Harrison	Amber	Open
CS1D	Corporate Safeguarding	• Consider ways in which it could extend its safeguarding training offer, for example building on the planned Child Sexual Exploitation awareness training to be given to taxi drivers, and to provide safeguarding training to (for example) those working in the night time economy	Corporate Safeguarding meets with relevant colleagues to promote the Safeguarding training. A SBAR exists in relation to recommendations for Safeguarding training for escorts and drivers (School Transport). A piece of work is underway with licencing, police and children's services to see how training can be strengthened, including taxi drivers. Vulnerability training is being delivered by the police to night-time economy staff and planning is underway to strengthen this collaboration with the police.	Covid-19 has delayed progress, however work is underway with key employees to progress in December 2020, linking in licencing, safeguarding, community safety and partnerships and exploitation lead.	Jade Harrison	Amber	Open

Recommendation Ref No.	Name of Audit	Recommendation	Update March 2020	Update Dec 2020	Lead Officer	RAG Status	Open/Closed	
Tudalen 39	CS1E	Corporate Safeguarding	• Accelerate the mandatory completion of Violence Against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015 (VAWDASV) training.	Group 1 e-learning is continuing to roll out across the LA, with some difficulties for those without access to PCs.	Group 1 – completion rate 65% (education figures are excluded). One online session was offered as part of White Ribbon Calendar of Events, but was cancelled due to low numbers, however individuals due to attend were provided with the online link to complete the training. The Council is awaiting guidance on how to reach staff without access to IT. Group 2 – training rolled out in November. November Sessions offered - 16 Number of places – 320 across Cardiff Council, Vale of Glamorgan Council and Velindre Hospital Numbers attended – 127 (Cardiff figures only) Sessions cancelled – 0 December Sessions offered – 18 Number of places – 360 (across the 3 organisations) Numbers attended – 75 with a further 46 booked on (Cardiff figures only) Sessions Cancelled – 3 (2 due to low attendance and 1 due to tutor illness) January* Sessions to be offered – 31 Number of places available – 620 (across the 3 organisations) *These sessions will be advertised in December 2020. Group 3 – Train the Trainer undertaken in Jan 2021; roll out during March 2021. Trainers – the Council requires more trainers across departments for Group 2 and Group 3. RISE specialist VAWDASV service are providing the majority of specialist support required for delivery. Atal Y Fro in the Vale of Glamorgan and the Velindre Safeguarding lead are also providing specialist support, which involves co-facilitation of sessions.	Jade Harrison	Amber	Open
	CS2	Corporate Safeguarding	The Council’s corporate safeguarding intranet pages could be strengthened by providing: • a link to the Corporate Safeguarding Policy; • information on the lead officer for corporate safeguarding, the lead member for corporate safeguarding and the Corporate Safeguarding Board; and • information on where to report concerns or to find out further information.	Complete.		Jade Harrison	Green	Closed
	CS3	Corporate Safeguarding	The Council should strengthen its Recruitment and Selection Policy in relation to safeguarding and safe recruitment.	The policy is being reviewed by the HR OM by March 2020. Safe Recruitment is promoted through Corporate Safeguarding Team via Directorate/Service Area and DLSO Forums.	Currently in draft and being consulted with relevant groups - planned finalisation March 2021.	Tracey Thomas	Amber	Open

Recommendation Ref No.	Name of Audit	Recommendation	Update March 2020	Update Dec 2020	Lead Officer	RAG Status	Open/Closed
CS4	Corporate Safeguarding	The Council should strengthen its safeguarding contractual provisions by being more explicit about its safeguarding training requirements.	The Council includes within the specification for all social care tenders, and other relevant tenders, standard questions on safeguarding and DBS checking of staff. In terms of DBS checks and safeguarding training in particular, all tenderers need to provide a detailed plan for ensuring all staff are DBS-checked and have received the relevant safeguarding training before they are involved in service or project delivery or go on a construction site.	As part of all social care tender specifications tenderers, and other relevant tenders, are asked to provide a detailed plan for ensuring all staff are DBS-checked and have received the relevant safeguarding training before they are involved in service or project delivery, or go on a construction site. This is evaluated as part of the tender evaluation process to ensure that the Council has the confidence that their plans are robust before we award contracts. The Evaluation Team usually includes a member of the Safeguarding Team. Successful organisations are required to provide a detailed safeguarding plan prior to contract commencement setting out their safeguarding processes and procedures. This will be approved by the Council's contract managers prior to contract commencement	Steve Robinson	Amber	Open
CS5	Corporate Safeguarding	The Council should ensure it is able to record and monitor volunteer information centrally, including any training records and Disclosure and Barring Service checks for volunteers.	The Manager must register the volunteer using the appropriate application on DigiGOV to ensure that there is a central record kept. This will record how often the individual volunteers and record the roles that they are undertaking. This will then determine whether they are in regulated activity, as well as the recruitment checks to be followed in line with the Council's DBS Policy.	The Volunteer Digigov module is being finalised. It has been presented to a number of managers and final changes are being made. Planned implementation - April 2021. The policy which the module supports is agreed.	Tracey Thomas	Amber	Open

Name of Audit	Area of Development	Management Response	Responsible Team/Officer	Agreed Date of Delivery	Update March 2020	Update Dec 2020	Lead Officer	RAG Status	Open/Closed
Tudalen 40	Transport Vision	Long Term	Benchmarking of transport solutions with national and international cities.	Transport Policy Team	Ongoing	The Council published Cardiff's Transport White Paper: Transport Vision to 2030, "Changing how we move around a growing city" in January 2019. The paper acknowledges the importance of the Metro and other long-term interventions, and its preparation involved benchmarking of best practice in cities around the world, as well as a scoping study of potential funding mechanisms. The White Paper has informed the Council's refresh of Capital Ambition, with the response to the Climate Emergency being pushed up to the top of the policy agenda. Regular close working relationships with the Welsh Government, Transport for Wales, Local Authorities and City Region are progressing, along with a programme of study work and preparation of business cases for short, medium and long-term investment in active travel, bus and tram-train Metro improvements. The cross-rail and circle line improvements are key priorities identified to be progressed.	Matthew Price	Green	Open
	Transport Vision	Long Term	Fully articulate in the White Paper the interdependencies between the long-term transport plans for the City and the successful implementation of the Metro.	Director of Planning, Transport and Environment	Sept. 2019		Matthew Price	Green	Closed
	Transport Vision	Long Term	Work with the Welsh Government, Cardiff City Region and partners supported by Cardiff Council match funding to ensure long-term investment in sustainable travel behaviour change activities and initiatives.	Transport Teams	Ongoing		Matthew Price	Green	Open

Name of Audit	Area of Development	Management Response	Responsible Team/Officer	Agreed Date of Delivery	Update March 2020	Update Dec 2020	Lead Officer	RAG Status	Open/Closed
Transport Vision	Integration	Ensure that the White Paper is explicit that in order to reduce car travel into Cardiff the transport plans for Cardiff, City Region and nationally will be interdependent.	Director of Planning, Transport and Environment	Sept. 2019	Cardiff's Transport White Paper emphasises the national and regional importance of improving access to regional destinations. The Chapter, "A Capital City that works for Wales: supporting the wider region" recognises how rapid bus links and new Metro lines/stations across the South East Wales region could change the way people travel. It emphasises the need to shape our behaviour and point towards the actions we will all have to take to save the planet for our children and grandchildren. Through the partnership working in the region that is taking place, the right transport infrastructure will be put in place to provide real choices for people travelling into Cardiff from the wider region. The joint WeTAG study work with Partners is ensuring that the five ways of working and aspirations of the Well-being of Future Generations Act are being supported. Current key joint studies include the North West Corridor, Cross-Rail, Circle Line and Central Station. Additionally, the Council is collaborating with the Welsh Government, Transport for Wales, local authorities, City Region, Public Health Wales, professional institutions and key stakeholders in the promotion and adoption of best practice in relation to active travel, public transport, sustainability initiatives and regeneration (Cardiff Barrage Link/Penarth Headland Link and Nextbike with the Vale of Glamorgan, North West Corridor, Taff Trail and P&R with Rhondda Cynon Taf, Eastern Corridor Study and Active Travel Corridor with Newport).	The aspirations of the Well-being of Future Generations Act and five ways of working are being applied through the development and delivery of schemes. Collaboration is continuing with key partners through the joint key studies outlined previously and the delivery of initiatives such as the expansion of the Nextbike scheme to the Vale of Glamorgan, which has now been implemented. Additionally, a Resilient Growth Programme Board has now been established to take forward planning, transport and environment related actions in partnership with the member organisation of the Public Service Board, and the Healthy Travel Charter is being developed and promoted in partnership with Public Health Wales. Within the Council itself, the Council's transport team is working very closely with the Schools Organisation Planning team so that delivery of the new school developments remains fully integrated with the Council's Capital Ambition commitment to ensure that every Cardiff School has an Active Travel Plan by 2022. These Council teams are also working to ensure that access to new schools by active modes is maximised through the provision of infrastructure that meets the quality requirements of the Active Travel Act.	Matthew Price	Green	Closed
Transport Vision	Integration	Ensure that the White Paper is specific about how the aspirations of the Well-being of Future Generations Act will be supported and the five ways of working applied.	Director of Planning, Transport and Environment	Sept. 2019			Matthew Price	Green	Closed
Transport Vision	Integration	Build upon emerging city-regional governance arrangements, alongside the Welsh Government, Transport for Wales and key stakeholders to agree priorities for transport and land use investment in the Capital Region.	Transport Teams	Ongoing			Matthew Price	Green	Open
Tudalen 41 Transport Vision	Involvement	Create opportunities for the full diversity of stakeholders and underrepresented groups to be involved in the design of transport interventions.	Transport Teams	Ongoing	The Council has been actively involved in developing Cardiff's Child Friendly City programme, working with key stakeholders and liaising with the Cardiff Youth Council to identify opportunities for involving children and young people in the development and design of transport interventions. Extensive stakeholder engagement has informed the development and design of the major transport infrastructure projects currently planned for the City Centre, including road safety, segregated cycleway and bus priority improvements associated with addressing poor air quality as part of the Clean Air Plan. Engagement plans include involvement or invitations to include disabilities, RNIB, Hearing, Age Groups, Ethnicity, Gender equality, LGBT, Religious, Charities, Businesses, Transport Operators, Emergency Services, Traveline Cymru, Councillors, Community and Interest Groups, Property Developers, Universities, Public Health Wales, Leisure/Sport, Hotels, Retail, Press/Social Media and General Public. The Council is also working closely with Public Health Wales to engage with Public and Private Sector organisations in the implementation of the jointly developed Healthy Travel Charter. The Council has undertaken extensive engagement with children and young people in the preparation and promotion of the Active Travel Schools and School Streets programmes, with increased staff resources dedicated to deliver it. Opportunities to improve engagement with citizens are being developed utilising best practice advice from sources such as www.communityplanning.net, the Well-being of Future Generations website and National Principles for Public Engagement. In some circumstances, it needs to be recognised that the delivery timescales and funding allocations limit the scope of the engagement that may be achievable. Overcoming consultation/engagement overload has been challenging and partly addressed through targeted sessions, which have proven successful, albeit highly time and resource intensive.	Despite the challenges presented by Covid-19 and the need for an urgent response to the impacts arising from this, consultation and engagement have been carried out on a significant range of schemes, both pre-programmed and those developed as part of the Covid response. This work has included the rapid transition from face-to-face to online forums. Extensive stakeholder engagement has continued on major city centre schemes, in addition to cycleway proposals and more localised schemes, such as footway widening and School Streets. The Active Travel to Schools programme has undergone significant development during the last quarter, again with a transition to online support and with the notable expansion of the School Street programme and measures to facilitate the safe return to schools (e.g. supporting social distancing). Welsh Government support has enabled the use of the 'Commonplace' online mapping tool to support the development of the Active Travel Integrated Network Map.	Matthew Price	Green	Open
Transport Vision	Involvement	Establish tailored and iterative design processes for co-production of transport schemes and initiatives that provide opportunities for citizen involvement.	Transport Teams	Ongoing			Matthew Price	Green	Open

Name of Audit	Area of Development	Management Response	Responsible Team/Officer	Agreed Date of Delivery	Update March 2020		Lead Officer	RAG Status	Open/Closed
Transport Vision	Collaboration	Build upon emerging city-regional governance arrangements, alongside the Welsh Government and Transport for Wales to enable modal shift, capitalising on the Cardiff Metro investments.	Transport Teams	Ongoing	Regular steering and working groups have been established in cooperation with the Welsh Government, Transport for Wales, Local Authorities and City Region to progress studies and the preparation of business plans for Cardiff Metro improvements. The Council chairs quarterly Resilience Growth/PSB Programme Board meetings at a senior level with Natural Resources Wales, Emergency Services, Public Health Wales and Cardiff Third Sector Council, sharing best practice, knowledge and information. Cardiff Council undertakes monitoring of air quality at 9 schools in Cardiff as part of the Citizens Science Project funded by Natural Resources Wales; the progress report will be published in Sep 2020. Additionally, the Council participates in the Air Quality Forum on a quarterly basis, which involves actions in relation to monitoring and task and finish groups. Public Health Wales continues to work closely with Officers on a weekly basis, providing input to the White Paper and acting as an ongoing key partner in delivering initiatives and promotional activities.		Matthew Price	Green	Open
Transport Vision	Collaboration	Explore opportunities to build upon the existing relationships with Natural Resources Wales through the Public Services Board, Air Quality Forum and Schools Monitoring Programme.	Director of Planning, Transport and Environment and Transport Teams	Ongoing			Matthew Price	Green	Open
Transport Vision	Collaboration	Continue to work with Public Health Wales during the preparation of the White Paper.	Director of Planning, Transport and Environment	Ongoing			Matthew Price	Green	Closed
Name of Audit	Area of Development	Management Response	Responsible Team/Officer	Agreed Date of Delivery	Update March 2020	Update Dec 2020	Lead Officer	RAG Status	Open/Closed
Transport Vision	Prevention	Prepare a monitoring strategy that identifies the effectiveness of sustainable travel and air quality interventions and quantifies the variance and accuracy in the measures.	Transport Teams	Sept. 2019	Cardiff's Transport White Paper has identified more ambitious sustainable travel targets, with 63% of Cardiff residents travelling to work by sustainable modes in 2025 and 75% in 2030. The methodology for measuring achievement towards the target was independently audited in November and December 2019. The audit identified that although the techniques and sample sizes used in the surveys are sound, some unintended consequences of the self-selection survey methodology may have introduced bias. Therefore, a more robust methodology will now be developed to minimise bias. Cardiff is participating in the South East Wales Transport Model Working Group with Transport for Wales, which may present opportunities for joint data collection and the development of a more comprehensive monitoring programme. The Council's sustainable travel targets and method of data collection will also be reviewed as part of the comprehensive review of Cardiff's Local Development Plan. The LDP review will also seek to maximise opportunities to introduce alternatives to private car use from the outset of the occupation of development, potentially through 'Mobility As A Service' or other technology solutions/initiatives and early deliverable infrastructure interventions. Scheme specific monitoring plans are also included within each project. The Clean Air Plan in the city centre will include the installation of a full real-time monitoring station on Castell Street and five other partial real-time locations to measure changes in dispersion. The Healthy Travel Charter, developed in partnership with Cardiff Public Services Board and Cardiff and Vale University Health Board, is providing a platform for the promotion of the health and environmental benefits for modal shift. The Council has published an updated "Keeping Cardiff Moving" website (www.keepingcardiffmoving.co.uk) to provide information and promote sustainable travel. The Council is working closely with the Welsh Government, Transport for Wales, Traveline Cymru and key partners on a publicity campaign to encourage the use of sustainable travel during the period of construction works in the city centre associated with the Clean Air Plan.	The LDP review is underway, although due to Covid-19, it has an altered timescale. It is still anticipated that the Council's sustainable travel targets and method of data collection will be reviewed as part of this process. Scheme specific monitoring plans are ongoing. Keeping Cardiff Moving has been further developed to provide additional resources, particularly in relation to active travel to schools, and the Healthy Travel Charter has been rolled out more widely. Work to improve air quality is ongoing, although some interventions have been impacted as a result of Covid-19, such as the planned works in Cardiff city centre. Conversely, other elements have been accelerated (the 'pop-up' cycleway) and reviewed (access for vehicles). Messaging on sustainable travel has altered during Covid-19, due to concerns about use of public transport and UK government guidance advising against using these modes of transportation. An appropriate response to this issue is being considered as part of the wider recovery plans, which includes communicating messages about the safety measures/cleaning regimes which are in place. The uptake of walking and cycling during the lockdowns/Covid restrictions, particularly in local communities, has provided an opportunity to expand messaging about the benefits of active modes in improving air quality/reducing traffic noise.	Matthew Price	Green	Open
Transport Vision	Prevention	Continue to plan and monitor the prioritised phasing of sustainable transport interventions for new developments to prevent reliance on car use from the outset.	Transport and Planning Teams	Ongoing			Matthew Price	Green	Open
Transport Vision	Prevention	Continue to target sustainable and active travel interventions where the air quality is worst.	Transport Teams	Ongoing			Matthew Price	Green	Open
Transport Vision	Prevention	Expand messaging on the benefits to health and the environment being key rationales for modal shift.	Communications and Media Team/Transport Teams	Ongoing			Matthew Price	Green	Open

Recommendation Ref No.	Name of Audit	Recommendation	Update Feb 2020	Update Dec 2020	Lead Officer	RAG Status	Open/Closed
SFF1	Scrutiny Fit for the Future	The Council should build on its experience of using different ways of working to consider more innovative methods for undertaking scrutiny activity.	Scrutiny undertook an internal review of the existing ways of working to consider their feasibility for future use. This review was then supplemented at a regional workshop designed to share good practice and to identify innovative ways of working in the future. Appropriate methods of working would be used, although these may be need to be adapted to reflect the situation and available resources.		Gary Jones	Green	Closed
SFF2	Scrutiny Fit for the Future	The Council should consider the skills and training that scrutiny members may need to better prepare them for current and future challenges and develop and deliver an appropriate training programme, including providing additional training on the Well-Being of Future Generations (Wales) Act.	An initial member development pilot session relating to the Wellbeing of Future Generation Act has been undertaken. Further sessions are planned to be delivered corporately.	The rollout of the corporately delivered Member learning sessions has been delayed as a result of the Covid-19 pandemic. The Member development programme for 2021 is being developed and will include the delivery of this Member Development activity.	Gary Jones	Amber	Open
Tudalen 43 SFF3	Scrutiny Fit for the Future	The Council should make scrutiny committees' forward work programmes more accessible to the public and consider how it can involve the public in its scrutiny activity more effectively.	Scrutiny Work Programmes have been made available online since January 2019 although the original procedure was subsequently reviewed and a less burdensome process has been put in place.		Gary Jones	Green	Closed
SFF4	Scrutiny Fit for the Future	The Council should publish final versions of scrutiny committee meeting minutes on its website in a more timely manner.	The timely production of minutes has been monitored and revised, however, recent increases in workload from Educational Appeals have required the process to be reviewed again, as the original timelines became unachievable. Following a further period of monitoring, it is anticipated that the timeliness of the production of minutes may not improve significantly, but the consistency of their production will.	Regulation changes arising from the Covid-19 pandemic have led to the introduction of a revised arrangement for the production and publication of a minimal set minutes within 5 days of the meeting. Following the end of the Covid regulations, a period of management monitoring will still be required to determine a suitable timescale for the production of minutes.	Gary Jones	Amber	Open
SFF5	Scrutiny Fit for the Future	The Council should review the type of scrutiny support required to enable the scrutiny function to respond to current and future challenges.	The WAO report concluded that scrutiny arrangements are well-developed and supported by a culture that makes them well-placed to respond to current and future challenges. There is an ongoing assessment of the type of scrutiny support required to respond to future challenges.		Gary Jones	Green	Closed

Mae'r dudalen hon yn wag yn fwiadol

AUDIT COMMITTEE: 26 JANUARY 2021

ANNUAL AUDIT SUMMARY REPORT REPORT OF HEAD OF PERFORMANCE AND PARTNERSHIPS

AGENDA ITEM: 9.1

Reason for this Report

1. This report provides an overview of the latest Annual Audit Summary Report from Audit Wales.
2. The Audit Committee Terms of Reference requires the Audit Committee to:
 - Consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
 - 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.

Background

3. The Audit Committee receives regular updates on the work of the Council's external auditors, and information in respect of the reports underway and completed as part of Committee meetings.
4. This Annual Audit Summary for Cardiff Council shows the work completed by Audit Wales since the last Annual Improvement Report, which was issued in October 2019. The production of the Annual Audit Summary forms part of the Auditor General for Wales' duties.

Issues

5. The Annual Summary report covers work undertaken in 2019-20, recognising that the Audit Wales work programme for the Council has affected the delivery of audit work, and in some areas, reshaped the priorities of Audit Wales' work programme with the Council.
6. Details of the findings of the following Audit Wales reports are included in the summary:
 - a. Audit of Cardiff Council's 2019-20 Accounts
 - b. Well-being of Future Generations Examination – Review of leisure services (October 2020)
 - c. Continuous Improvement - The Auditor General certified that the Council has met its legal duties for improvement planning and reporting
 - d. Financial Sustainability (March 2020)
 - e. Waste Management
 - f. National Fraud Initiative

7. Progress against the recommendations made by Audit Wales in each of the above reports, can be found in the Audit Wales Recommendation Tracker (item 8.1).
8. The Audit Summary report provides an overview of reports published by other regulatory bodies, including Estyn, Care Inspectorate for Wales and Her Majesty's Inspectorate for Probation (report on Youth Justice services), and on national studies undertaken by Audit Wales.
9. The report also includes an overview of the planned work for 2021/22, including:
 - Recovery planning in response to the COVID-19 pandemic
 - COVID-learning project – helping to identify and share learning from the way in which public bodies have responded to the pandemic
 - Assurance and risk assessment
 - A review of the Council's financial sustainability
 - Modernisation of workforce.

Legal Implications

10. 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

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

RECOMMENDATIONS

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

Gareth Newell
Head of Performance and Partnerships

The following is attached:

City of Cardiff Council, Annual Audit Summary 2020

City of Cardiff Council

Annual audit summary 2020

This is our audit summary for Cardiff Council.

It shows the work completed since the last Annual Improvement Report, which was issued in October 2019. Our audit summary forms part of the Auditor General for Wales' duties.

More information about these duties can be found on our [website](#).



About the Council

Some of the Services the Council provides



Key facts

The Council is made up of 75 councillors who represent the following political parties:

- Labour 38
- Conservative 21
- Liberal Democrats 11
- Welsh National Party 4
- Independent 1

The Council spent £712.1 million on providing services during 2019-20, the highest spend of the 22 unitary councils in Wales.

As at 31 March 2020, the Council had £69 million of usable financial reserves. This is equivalent to 10% of the Council's annual spend on services, joint sixth lowest percentage of the 22 unitary councils in Wales.

Key facts

The City has 39 (18%) of its 214 areas deemed the most deprived 10% of areas in Wales, this is the joint third highest of the 22 unitary councils in Wales¹.

The City's population is projected to increase by 5.6% between 2020 and 2040 from 366,311 to 386,861, including a 5.3% decrease in the number of children, a 3.6% increase in the number of the working-age population and a 29.2% increase in the number of people aged 65 and over².

The Auditor General's duties

We complete work each year to meet the following duties

- **Audit of Accounts**

Each year the Auditor General audits the Council's financial statements to make sure that public money is being properly accounted for.

- **Value for money**

The Council has to put in place arrangements to get value for money for the resources it uses, and the Auditor General has to be satisfied that it has done this.

- **Continuous improvement**

The Council also has to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General has to assess whether the Council is likely to (or has) met these requirements.

- **Sustainable development principle**

Public bodies need to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

¹ An area in this context is defined as a 'Lower Super Output Area'. Source: Stats Wales

² Source: Stats Wales



Since the Spring of 2020, the ongoing pandemic has affected our audit work. We recognise the huge strain on public services and have reshaped our work programme, and found new ways of working to reduce its impact on public bodies' response to COVID-19, while still meeting our statutory duties.



To meet the Auditor General's duties we complete specific projects, but we also rely on other audit work, and the work of regulators such as Care Inspectorate Wales and Estyn (the education inspectorate). We take the findings of our audit work into account when assessing whether the Council has put in place arrangements to secure value for money. Our findings and conclusions are summarised below.

What we found

Audit of Cardiff Council's 2019-20 Accounts

Each year we audit the Council's financial statements.

For 2019-20:

- The Auditor General gave an unqualified true and fair opinion on the Council's financial statements on 26 October 2020, which was prior to the extended 30 November deadline approved by the Welsh Government.
- Whilst the audit opinion was unqualified, it contained Emphasis of Matter paragraphs in relation to material valuation uncertainties of Property, Plant and Equipment Assets and Investment Properties and Pension Fund Pooled Property Unit Trust Investments. It also contained an Emphasis of Matter paragraph in relation to the Going Concern of the Council's subsidiary company Cardiff City Transport Services.
- The Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were also consistent with the financial statements prepared by the Council and with our knowledge of the Council;
- Despite the challenges faced by the Council as a result of the COVID-19 pandemic, the Council presented its draft statement of accounts financial statements on 15 June 2020, which was a significant achievement. The draft statement of accounts was generally of a good standard.
- A number of changes were made to the Council's financial statements arising from our audit work, which were reported to the Audit Committee in our Audit of Financial Statements Report in October 2020.
- In addition to the Auditor General's responsibilities for auditing the Council's financial statements, he also has responsibility for the certification of a number of grant claims and returns. Our audit work on the grant claims is ongoing, and should we identify any significant issues arising from our work we will inform the Council in due course.

- The Auditor General issued the certificate confirming that the audit of accounts for 2019-20 has been completed.
- Key facts and figures from the 2019-20 financial statements can be accessed [here](#).

Well-being of Future Generations Examination – Review of leisure services (October 2020)

The examination that we undertook in 2019-20 considered the extent to which the Council has acted in accordance with the sustainable development principle when taking steps to deliver leisure services. We concluded that overall, the Council has achieved its key aim of keeping its leisure centres open. But there is significant scope for the Council to better apply the sustainable development principle and strengthen its arrangements to assure itself that its contract with GLL is delivering value for money. The report can be viewed [here](#).

Continuous Improvement

The Auditor General certified that the Council has met its legal duties for improvement planning and reporting, and believes that it is likely to meet the requirements of the Local Government (Wales) Measure 2009 during 2020-21.

Financial Sustainability (March 2020)

During 2019-20 we examined the financial sustainability of each council in Wales. We concluded that currently, we have no major concerns about the Council's financial resilience. However, the Council continues to face significant financial challenges over the medium term given the level of savings required, and the Council needs to have more of a focus on how it will narrow the gap over the medium term, including improving its savings planning. The report can be viewed [here](#).

National Fraud Initiative

In October 2020, the Auditor General published his report on the findings of the latest National Fraud Initiative (NFI) data-matching exercise in Wales. The exercise helped public bodies in Wales, including the 22 unitary authorities, identify fraud and overpayments amounting to £8 million. The report can be accessed on our website [here](#). NFI continues to be developed and in the forthcoming NFI exercise (NFI 2020-2022) local authorities will have access to matches designed to help identify potential fraudulent applications for COVID-19 business support grants.

Waste Management

In March 2020 we completed a review of the Council's plans to reduce waste and achieve the national recycling targets. We found that the Council's necessary focus on resolving some long-standing operational issues meant that they were at a very early stage of deciding what its future direction will be in terms of recycling. We will consider whether to do a further review during 2021-22, when the Council's plans are more advanced.

Other Inspectorates

We also took into account the reports of Care Inspectorate Wales (CIW) and Estyn as well as any subsequent actions taken by the Council in response.

CIW issued a [Local Authority Performance Review](#) in August 2020. CIW undertook a risk-based inspection of adults' and children's services in Cardiff Council in December 2020. Outcomes from this will be formally shared with the Council in the new year.

Estyn did not undertake an inspection of Local Government Education Services in Cardiff during 2019-20.

In July 2020, Her Majesty's Inspectorate of Probation published their inspection of [youth offending services in Cardiff](#). Overall, Cardiff youth offending service was rated as 'inadequate'.

Local Government Studies

As well as local work at each council, each year we also carry out studies across the local government sector to make recommendations for improving value for money. Since the last annual improvement report we have published the following reports:

Review of Public Services Boards (October 2019)

We inspected how Public Services Boards are operating; looking at their membership, terms of reference, frequency and focus of meetings, alignment with other partnerships, resources and scrutiny arrangements. We concluded that Public Services Boards are unlikely to realise their potential unless they are given freedom to work more flexibly and think and act differently. The full report can be viewed [here](#).

Progress in implementing the Violence Against Women, Domestic Abuse and Sexual Violence Act (November 2019)

We examined how the new duties and responsibilities of the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act are being rolled out and delivered. We found that victims and survivors of domestic abuse and sexual violence are often let down by an inconsistent, complex and fragmented system. The full report can be viewed [here](#).

Rough Sleeping in Wales – Everyone's Problem; No One's Responsibility (July 2020)

We looked at how well public services are responding to the issue of rough sleeping. Overall, we found that responding to COVID-19 is an opportunity for public bodies to start addressing long standing weaknesses in partnership working which has stopped them from tackling rough sleeping in the past. The full report can be viewed [here](#).

Better Law Making (September 2020)

This report draws on five reports published between 2019 and today looking at how local authorities are responding to the challenge of implementing new legislation. Implementation is a complex task which needs to be fully thought through by the Welsh Government and the Senedd whenever they bring forward and make any new legislation. The paper highlights the difficulties faced by local authorities and their public sector partners in implementing their new responsibilities. The full report can be viewed [here](#).

Commercialisation in Local Government (October 2020)

Councils have conducted commercial activity for a long time, and many councils are exploring additional commercial opportunities to mitigate against the financial pressures they face. Our report is specifically targeted at helping elected members and senior officers to examine and judge the potential impact on their organisations when considering whether to undertake commercialisation. It will also help councils to demonstrate how well they are discharging their value for money responsibilities. The full report can be viewed [here](#).

Planned work for 2020-21

We also looked at the key challenges and opportunities facing the Council. These risks could have an effect on the Council's ability to meet its legal obligations in relation to the sustainable development principle, the use of its resources and continuous improvement.

The most significant risk and issue facing councils and the wider public sector during 2020-21 is the COVID-19 pandemic. We have shaped our work to provide assurance and challenge in a way which helps to support the Council through this period. Our work for 2020-21 includes:

- Recovery planning in response to the COVID-19 pandemic
- COVID-learning project – helping to identify and share learning from the way in which public bodies have responded to the pandemic
- Assurance and risk assessment
- A review of the Council's financial sustainability
- Modernisation of workforce.

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the Senedd.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Senedd Commission and National Health Service bodies in Wales.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities with their own legal functions, as described above. Audit Wales is not a legal entity.

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

This document is also available in Welsh.

Mae'r dudalen hon yn wag yn fwriadol

Cyngor Dinas Caerdydd

Crynodeb archwiliad blynyddol 2020

Dyma grynodeb o'n harchwiliad ar gyfer Cyngor Caerdydd. Mae'n dangos y gwaith a gwblhawyd ers yr Adroddiad Gwella Blynyddol diwethaf, a gyhoeddwyd ym mis Hydref 2019. Mae'r crynodeb o'n harchwiliad yn rhan o ddyletswyddau Archwilydd Cyffredinol Cymru.

Mae rhagor o wybodaeth am y dyletswyddau hyn ar gael ar ein [gwefan](#).



Ynglŷn â'r Cyngor

Rhai o'r Gwasanaethau a ddarperir gan y Cyngor



Ffeithiau allweddol

Mae'r Cyngor yn cynnwys 75 o gynghorwyr sy'n cynrychioli'r pleidiau/grwpiau gwleidyddol canlynol:

- Llafur 38
- Ceidwadwyr 21
- Democratiaid Rhyddfrydol 11
- Plaid Genedlaethol Cymru 4
- Annibynnol 1

Gwariodd y Cyngor £712.1 miliwn ar ddarparu gwasanaethau yn ystod 2019-20, sef y gwariant uchaf o blith y 22 cyngor unedol yng Nghymru.

Ar 31 Mawrth 2020, roedd gan y Cyngor £69 miliwn o gronfeydd ariannol wrth gefn y gellir eu defnyddio. Mae hyn yn cyfateb i 10% o wariant blynyddol y Cyngor ar wasanaethau, sef y chweched canran isaf (cydradd â chyngor arall) o blith y 22 cyngor unedol yng Nghymru.

Ffeithiau allweddol

Mae 39 (18%) o 214 ardal y ddinas ymhlith y 10% o ardaloedd a ystyrir ymysg y mwyaf difreintiedig yng Nghymru, sef y trydydd safle uchaf (cydradd â chyngor arall) o blith y 22 cyngor unedol yng Nghymru¹.

Rhagwelir y bydd poblogaeth y ddinas yn cynyddu 5.6% rhwng 2020 a 2040 o 366,311 i 386,861, gan gynnwys gostyngiad o 5.3% yn nifer y plant, cynnydd o 3.6% yn nifer y boblogaeth oedran gweithio a chynnydd o 29.2% yn nifer y bobl 65 oed a throsodd².

Dyletswyddau'r Archwilydd Cyffredinol

Rydym yn cwblhau gwaith bob blwyddyn i gyflawni'r dyletswyddau canlynol

- **Archwilio Cyfrifon**

Bob blwyddyn, mae'r Archwilydd Cyffredinol yn archwilio datganiadau ariannol y Cyngor i sicrhau y cedwir cofnod priodol o wariant arian cyhoeddus.

- **Gwerth am arian**

Mae'n rhaid i'r Cyngor roi trefniadau ar waith i gael gwerth am arian am yr adnoddau y mae'n eu defnyddio, a rhaid i'r Archwilydd Cyffredinol fod wedi'i fodloni ei fod wedi gwneud hyn.

- **Gwelliant parhaus**

Mae'n rhaid i'r Cyngor roi trefniadau ar waith hefyd i wneud gwelliannau parhaus, gan gynnwys cynlluniau ac adroddiadau cysylltiedig, ac mae'n rhaid i'r Archwilydd Cyffredinol asesu a yw'r Cyngor yn debygol o fodloni'r gofynion hyn (neu wedi gwneud hynny).

- **Egwyddor datblygu cynaliadwy**

Mae angen i gyrff cyhoeddus gydymffurfio â'r egwyddor datblygu cynaliadwy wrth bennu a chymryd camau i gyflawni eu hamcanion llesiant. Rhaid i'r Archwilydd Cyffredinol asesu i ba raddau y maent yn gwneud hyn.

¹ Diffinnir ardal yn y cyd-destun hwn fel 'Ardal Cynnyrch Ehangach Haen Is'. Ffynhonnell: Stats Cymru

² Ffynhonnell: Stats Cymru



Ers Gwanwyn 2020, mae'r pandemig parhaus wedi effeithio ar ein gwaith archwilio. Rydym yn cydnabod y straen enfawr ar wasanaethau cyhoeddus ac rydym wedi ail-lunio ein rhaglen waith, a dod o hyd i ffyrdd newydd o weithio i leihau ei effaith ar ymateb cyrff cyhoeddus i COVID-19, ond gan barhau i gyflawni ein dyletswyddau statudol.



Er mwyn cyflawni dyletswyddau'r Archwilydd Cyffredinol, rydym yn cwblhau prosiectau penodol, ond rydym yn dibynnu ar waith archwilio arall hefyd, a gwaith rheoleiddwyr fel Arolygiaeth Gofal Cymru ac Estyn (yr arolygiaeth addysg). Rydym yn ystyried canfyddiadau ein gwaith archwilio wrth asesu a yw'r Cyngor wedi rhoi trefniadau ar waith i sicrhau gwerth am arian. Ceir crynodeb o'n canfyddiadau a'n casgliadau isod.

Yr hyn a ganfuwyd gennym

Archwiliad o Gyfrifon 2019-20 Cyngor Caerdydd

Bob blwyddyn, rydym yn archwilio datganiadau ariannol y Cyngor.

Ar gyfer 2019/20:

- Rhoddodd yr Archwilydd Cyffredinol farn wir a theg ddiamod ar ddatganiadau ariannol y Cyngor ar 26 Hydref 2020, ac roedd hynny cyn y dyddiad cau estynedig a oedd wedi'i gymeradwyo gan Lywodraeth Cymru, sef 30 Tachwedd.
- Er bod y farn archwilio yn ddiamod, roedd yn cynnwys paragraffau Pwysleisio Mater mewn perthynas ag ansicrwydd prisio o bwys ym maes Asedau Eiddo, Peiriannau ac Offer ac Eiddo Buddsoddi a Buddsoddiadau Ymddiriedolaethau Unedau Eiddo Cronfeydd Pensiwn wedi'u Cyfuno. Roedd hefyd yn cynnwys paragraff Pwysleisio Mater mewn perthynas â Busnes Gweithredol is-gwmni'r Cyngor, Cardiff City Transport Services.
- Paratowyd Datganiad Llywodraethu Blyneddol ac Adroddiad Naratif y Cyngor yn unol â Chod CIPFA a chanllawiau perthnasol. Roeddent hefyd yn gyson â'r datganiadau ariannol a baratowyd gan y Cyngor a chyda'n gwybodaeth ni am y Cyngor;
- Er gwaetha'r heriau a wynebwyd gan y Cyngor oherwydd y pandemig COVID-19, cyflwynodd y Cyngor ei ddatganiadau drafft o gyfrifon a datganiadau ariannol ar 15 Mehefin 2020, ac roedd hyn yn gyflawniad sylweddol. Roedd ansawdd y datganiad drafft o gyfrifon yn dda ar y cyfan.
- Gwnaed nifer o newidiadau i ddatganiadau ariannol y Cyngor oherwydd ein gwaith archwilio, a chyflwynwyd ein hadroddiad i Bwyllgor Archwilio'r Cyngor yn ein Hadroddiad Archwilio Datganiadau Ariannol ym mis Hydref 2020.
- Yn ogystal â chyfrifoldebau'r Archwilydd Cyffredinol am archwilio datganiadau ariannol y Cyngor, mae'n gyfrifol hefyd am ardystio nifer o ffurflenni a hawliadau grant. Mae ein harchwiliad o'r hawliadau grant yn parhau, ac os byddwn yn nodi unrhyw faterion o bwys sy'n codi o'n gwaith byddwn yn hysbysu'r Cyngor maes o law.

- Mae'r Archwilydd Cyffredinol wedi cyhoeddi'r dystysgrif yn cadarnhau bod archwiliad cyfrifon 2019-20 wedi'i gwblhau.
- Gellir cael gafael ar ffeithiau a ffigurau allweddol o ddatganiadau ariannol 2019-20 [yma](#).

Archwiliad Llesiant Cenedlaethau'r Dyfodol – Archwiliad o Wasanaethau Hamdden (Hydref 2020)

Roedd yr archwiliad a gynhaliwyd gennym yn 2019-20 yn ystyried i ba raddau y mae'r Cyngor wedi gweithredu'n unol â'r egwyddor datblygu cynaliadwy wrth gymryd camau i ddarparu gwasanaethau hamdden. Daethom i'r casgliad bod y Cyngor, ar y cyfan, wedi cyflawni ei nod allweddol o gadw ei ganolfannau hamdden ar agor. Ond mae cryn le i'r Cyngor gymhwyso'r egwyddor datblygu cynaliadwy yn well a chryfhau ei drefniadau er mwyn sicrhau ei hun bod ei gcontract gyda GLL yn darparu gwerth am arian. Gellir gweld yr adroddiad llawn [yma](#).

Gwelliant Parhaus

Ardystiodd yr Archwilydd Cyffredinol fod y Cyngor wedi cyflawni ei ddyletswyddau cyfreithiol ar gyfer cynllunio ac adrodd ar welliannau, ac mae'n credu ei fod yn debygol o fodloni gofynion Mesur Llywodraeth Leol (Cymru) 2009 yn ystod 2020-21.

Cynaliadwyedd Ariannol (Mawrth 2020)

Yn ystod 2019-20, buom yn archwilio cynaliadwyedd ariannol pob cyngor yng Nghymru. Daethom i'r casgliad nad oes gennym unrhyw bryderon mawr am wydnwch ariannol y Cyngor ar hyn o bryd. Fodd bynnag, mae'r Cyngor yn parhau i wynebu heriau ariannol sylweddol yn y tymor canolig o ystyried lefel yr arbedion sydd eu hangen, ac mae angen i'r Cyngor ganolbwyntio mwy ar sut y bydd yn lleihau'r bwlch dros y tymor canolig, gan gynnwys gwella ei waith cynllunio ar gyfer arbedion. Gellir gweld yr adroddiad llawn [yma](#).

Y Fenter Twyll Genedlaethol

Ym mis Hydref 2020, cyhoeddodd yr Archwilydd Cyffredinol ei adroddiad ar ganfyddiadau ymarfer paru data diweddaraf y Fenter Twyll Genedlaethol (NFI) yng Nghymru. Roedd yr ymarfer yn helpu cyrff cyhoeddus yng Nghymru, gan gynnwys y 22 awdurdod unedol, i nodi twyll a gordaliadau gwerth cyfanswm o £8 miliwn. Mae'r adroddiad ar gael ar ein gwefan [yma](#). Mae'r Fenter yn parhau i gael ei datblygu, ac yn yr ymarfer NFI arfaethedig (NFI 2020-22), bydd gan awdurdodau lleol fynediad at ddata sydd wedi'i baru er mwyn helpu i nodi ceisiadau twyllodrus posibl ar gyfer grantiau cymorth busnes COVID-19.

Rheoli Gwastraff

Ym mis Mawrth 2020 cwblhawyd adolygiad o gynlluniau'r Cyngor i leihau gwastraff a chyflawni'r targedau ailgylchu cenedlaethol. Gwelsom fod ffocws angenrheidiol y Cyngor ar ddatrys rhai materion gweithredol hirsefydlog yn golygu ei fod ar gam cynnar iawn o ran penderfynu i ba gyfeiriad y bydd yn mynd yn y dyfodol o ran ailgylchu. Byddwn yn ystyried a ddylid cynnal adolygiad pellach yn ystod 2021-22, pan fydd cynlluniau'r Cyngor wedi'u datblygu ymhellach.

Arolygiaethau Eraill

Ystyriwyd adroddiadau Arolygiaeth Gofal Cymru (AGC) ac Estyn hefyd, ynghyd ag unrhyw gamau dilynol a gymerwyd gan y Cyngor mewn ymateb.

Cyhoeddodd AGC Adolygiad o Berfformiad Awdurdodau Lleol hefyd ym mis Awst 2020.

Fe wnaeth AGC gynnal arolygiad yn seiliedig ar risg o wasanaethau oedolion a phlant yng Nghyngor Caerdydd ym mis Rhagfyr 2020. Caiff y canlyniadau sy'n deillio o hyn eu rhannu'n ffurfiol â'r Cyngor yn y flwyddyn newydd.

Ni chynhaliodd Estyn arolygiad o Wasanaethau Addysg Llywodraeth Leol yng Nghaerdydd yn ystod 2019-20.

Ym mis Gorffennaf 2020, cyhoeddodd Arolygiaeth Prawf Ei Mawrhydi arolygiad o wasanaethau troseddau ieuencid yng Nghaerdydd. Yn gyffredinol, roedd gwasanaeth troseddau ieuencid Caerdydd yn cael ei ystyried yn 'annigonol'.

Astudiaethau Llywodraeth Leol

Yn ogystal â gwaith lleol ym mhob cyngor, bob blwyddyn rydym yn cynnal astudiaethau ledled y sector llywodraeth leol hefyd i wneud argymhellion ar gyfer gwella gwerth am arian. Ers yr adroddiad gwella blynyddol diwethaf, rydym wedi cyhoeddi'r adroddiadau canlynol:

Adolygiad o Fyrddau Gwasanaethau Cyhoeddus (Hydref 2019)

Rydym wedi archwilio sut y mae Byrddau Gwasanaethau Cyhoeddus yn gweithredu; gan edrych ar eu haelodaeth, eu cylch gorchwyl, amllder a ffocws cyfarfodydd, y modd y maent yn cyd-fynd â phartneriaethau eraill, adnoddau a threfniadau craffu. Daethom i'r casgliad nad yw Byrddau Gwasanaethau Cyhoeddus yn debygol o wireddu eu potensial oni bai y rhoddir rhyddid iddynt i weithredu'n fwy hyblyg ac i feddwl a gweithredu'n wahanol. Gellir gweld yr adroddiad llawn yma.

Cynnydd o ran gweithredu Deddf Trais yn Erbyn Menywod, Cam-drin Domestig a Thrais Rhywiol (Tachwedd 2019)

Rydym wedi archwilio sut y mae dyletswyddau a chyfrifoldebau newydd y Ddeddf Trais yn Erbyn Menywod, Cam-drin Domestig a Thrais Rhywiol (Cymru) yn cael eu cyflwyno a'u cyflawni. Gwelwyd fod dioddefwyr a goroeswyr cam-drin domestig a thrais rhywiol yn cael eu methu yn aml gan system anghyson, gymhleth a thameidiog. Gellir gweld yr adroddiad llawn yma.

Cysgu Allan yng Nghymru – Problem i Bawb; Cyfrifoldeb i Neb (Gorffennaf 2020)

Edrychwyd ar ba mor dda y mae gwasanaethau cyhoeddus yn ymateb i fater cysgu allan. Yn gyffredinol, gwelwyd fod ymateb i COVID-19 yn gyfle i gyrff cyhoeddus ddechrau mynd i'r afael â gwendidau hirsefydlog mewn trefniadau gweithio mewn partneriaeth sydd wedi eu hatal rhag mynd i'r afael â chysgu allan yn y gorffennol. Gellir gweld yr adroddiad llawn yma.

Deddfu Gwell (Medi 2020)

Mae'r adroddiad hwn yn defnyddio pum adroddiad a gyhoeddwyd rhwng 2019 a heddiw yn edrych ar sut mae awdurdodau lleol yn ymateb i'r her o weithredu deddfwriaeth newydd. Mae rhoi deddfwriaeth ar waith yn dasg gymhleth, ac mae angen i Lywodraeth Cymru a'r Senedd roi ystyriaeth fanwl i'r dasg hon pan fyddant yn cynnig ac yn gwneud unrhyw ddeddfwriaeth newydd. Mae'r papur yn tynnu sylw at yr anawsterau a wynebier gan awdurdodau lleol a'u partneriaid yn y sector cyhoeddus wrth weithredu eu cyfrifoldebau newydd. Gellir gweld yr adroddiad llawn [yma](#).

Masnacheiddio mewn Llywodraeth Leol (Hydref 2020)

Mae cynghorau wedi ymgymryd â gweithgarwch masnachol ar ryw ffurf ers amser maith, ac mae llawer o gynghorau'n archwilio cyfleoedd masnachol ychwanegol i liniaru yn erbyn y pwysau ariannol y maent yn eu hwynebu. Mae'n hadroddiad wedi'i anelu'n benodol at helpu aelodau etholedig ac uwch-swyddogion i archwilio a dyfarnu ar yr effaith bosibl ar eu sefydliadau wrth ystyried a ddylid ymgymryd â gweithgareddau masnacheiddio. Bydd hefyd yn helpu cynghorau i ddangos pa mor dda y maent yn cyflawni eu cyfrifoldebau o safbwynt sicrhau gwerth am arian. Gellir gweld yr adroddiad llawn [yma](#).

Gwaith sydd ar y gweill ar gyfer 2020-21

Edrychwyd hefyd ar yr heriau a'r cyfleoedd allweddol sy'n wynebu'r cyngor. Gallai'r risgiau hyn effeithio ar allu'r cyngor i gyflawni ei rwymedigaethau cyfreithiol mewn perthynas â'r egwyddor datblygu cynaliadwy, y defnydd o'i adnoddau a gwelliant parhaus.

Y risg a'r broblem fwyaf arwyddocaol sy'n wynebu cynghorau a'r sector cyhoeddus ehangach yn ystod 2020-21 yw pandemig COVID-19. Rydym wedi llunio ein gwaith i roi sicrwydd a her mewn ffordd sy'n helpu i gefnogi'r Cyngor drwy'r cyfnod hwn. Mae ein gwaith ar gyfer 2020-21 yn cynnwys:

- Cynllunio adferiad mewn ymateb i bandemig COVID-19
- Prosiect dysgu COVID – helpu i nodi a rhannu dysgu o'r ffordd y mae cyrff cyhoeddus wedi ymateb i'r pandemig
- Sicrwydd ac asesu risg
- Adolygiad o gynaliadwyedd ariannol y Cyngor
- Moderneiddio'r gweithlu.

Mae'r Archwilydd Cyffredinol yn annibynnol ar y llywodraeth, ac fe'i penodir gan Ei Mawrhydi y Frenhines. Mae'r Archwilydd Cyffredinol yn ymgymryd â'i waith gan ddefnyddio staff ac adnoddau eraill a ddarperir gan Swyddfa Archwilio Cymru, sy'n fwrdd statudol a sefydlwyd at y diben hwnnw ac i fonitro a chynghori'r Archwilydd Cyffredinol. Mae Swyddfa Archwilio Cymru yn atebol i'r Senedd.

Mae'r Archwilydd Cyffredinol yn archwilio cyrff llywodraeth leol yng Nghymru, gan gynnwys awdurdodau unedol, yr heddlu, gwasanaethau prawf, awdurdodau tân ac achub, awdurdodau'r parciau cenedlaethol a chynghorau cymuned. Y mae hefyd yn cynnal astudiaethau gwerth am arian llywodraeth leol ac yn asesu cydymffurfiaeth â gofynion Mesur Llywodraeth Leol (Cymru) 2009.

Y tu hwnt i lywodraeth leol, yr Archwilydd Cyffredinol yw archwilydd allanol Llywodraeth Cymru a'r cyrff cyhoeddus a noddir ganddi ac sy'n gysylltiedig â hi, Comisiwn y Senedd a chyrff y Gwasanaeth Iechyd Gwladol yng Nghymru.

Archwilio Cymru yw'r enw cyfunol anstatudol ar gyfer Archwilydd Cyffredinol Cymru a Swyddfa Archwilio Cymru, sy'n endidau cyfreithiol ar wahân y mae ganddynt ill dau eu swyddogaethau cyfreithiol eu hunain fel a ddisgrifir uchod. Nid yw Archwilio Cymru yn endid cyfreithiol.

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg ac yn Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi. We welcome correspondence and telephone calls in Welsh and English.

Corresponding in Welsh will not lead to delay.

This document is also available in English.

Mae'r dudalen hon yn wag yn fwriadol

Cardiff Council – Audit Committee Update 26th January 2021

Performance Audit work

2019-20 Performance Audit Work	Scope	Status
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Examination of the extent to which the Council has acted in accordance with the sustainable development principle when taking steps to meet its priority for 2019-20 to Support Sports, Leisure, Culture and Green Spaces.	Final Report issued 24 th November 2020. LINK
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges.	Final report issued 3 April 2020. LINK
Waste Management/recycling	A project to look at the pressures in this area and understand the Council's plans to improve performance.	Final letter issued 10 July.
Budget pressures in Social Services	This project has been withdrawn from our work programme for 2019-20 as discussed with officers. Due to the COVID-19 pandemic, we are now refocussing our work to recovery planning.	Withdrawn. We will reconsider this topic during our 2020-21 Assurance and risk assessment work.
Annual Audit Summary	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'. Also now combined with the Annual Audit Letter.	Final report issued 11 th January 2021.

2020-21 Performance audit work	Scope	Status
Improvement Plan audit Performance audit	Compliance with Local Government Measure (Wales) 2009.	Certificates issued May and October 2020
Annual Audit Summary	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'. Also now combined with the Annual Audit Letter	June/July 2021
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.	Joint presentation to Senior Management Team 26 th January 2021
Recovery Planning	We intend to support and challenge recovery planning in real-time. Collectively we need assurance that recovery takes due account of the multitude of risks, but also that it grasps the opportunities for a different and sustainable future. We have taken the decision to replace the 'prevention' themed work that we set out in audit plans with this work on recovery planning.	Underway
Financial Sustainability	<ul style="list-style-type: none"> Phase 1 will be a baseline assessment of the initial impact of Covid-19 on local authorities' financial position that will draw on the year-end position for 2019-20 as well as the position at the end of quarter 1 for 2020-21. The output from phase 1 will be a short national summary report that will include comparative data for year-end 2019-20 as well as a summary of common themes and issues identified by local authorities. Phase 2 will be undertaken over the remainder of 2020-21. This work will draw on the position and themes identified during phase 1 	<p>Phase 1 – Published 6th October 2020 Link is found HERE</p> <p>Phase 2 – Project Brief issued 21st December 2020</p>

	to enable a focus on financial recovery planning. At the conclusion of Phase 2 we will produce a local output for each council and a national summary report.	fieldwork Jan/Feb 2021
Modernisation of workforce	A review looking at workforce modernisation, linking to the Council's estate, digital and post-Covid plans for delivering future services.	Council requested to delay fieldwork to March 2021.
Covid 19 learning project	To help public bodies capture and share the lessons they are learning, we have established the 'COVID-19 learning project'. Rather than the traditional audit approach of examining actions after the event, our aim here is to get alongside public services to capture and share learning in real time.	Ongoing - Covid Learning Digests LINK .

Recent National Reports

Procurement and supply of PPE during the COVID-19 pandemic	Published 15 th December 2020 Link is found HERE
Providing Free School Meals During Lockdown	Published 24 th November 2020 Link is found HERE
Preparations for the end of Brexit transition	Published 18 th November 2020 Link is found HERE
Covering teachers' absence: Follow-up	Published 12 th November 2020 Link is found HERE
Welsh Community Care Information System	Published 15 th October 2020 Link is found HERE
The National Fraud Initiative in Wales 2018-20	Published 13 th October 2020 Link is found HERE
Commercialisation in Local Government	Published 6 th October 2020 Link is found HERE
Better law making: the implementation challenge	Published 24 th September 2020 Link is found HERE

AUDIT COMMITTEE: 26 January 2021

INTERNAL AUDIT & INVESTIGATION TEAM - PROGRESS REPORT

REPORT OF THE AUDIT MANAGER

AGENDA ITEM: 10.1

Appendices E and F in Annex 1 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. The Audit Committee 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;
 - Monitor the Counter-fraud strategy, actions and resources.
2. A progress report has been prepared to provide Audit Committee Members with an update on the work and performance of the Internal Audit and Investigation Teams as at 31 December 2020.

Background

3. The Audit Committee formally approved the Internal Audit Plan 2020/21 on 28 July 2020, following a process of consultation and agreement between 23 March and 3 April 2020. The planned activity of the Investigation Team was provided for Audit Committee consideration and information on 28 July 2020. To clarify the priority areas of audit focus this year, against a performance target to deliver 60% of the original Audit Plan, the Audit Committee approved the deferral of 32 Audits on 17 November 2020.
4. The Internal Audit Progress Report (**Annex 1**) sets out performance in relation to the Internal Audit Plan. 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.
5. The Investigation Team Progress Report (**Annex 2**) focuses on proactive and reactive fraud awareness, detection and investigation activities, including participation in initiatives, such as National Fraud Initiative (NFI) data matching exercises.
6. As part of progress updates, there is an opportunity to consider emerging risks, issues and sources of assurance, and to potentially refocus priorities. Prior to presenting to Audit Committee, progress reports are discussed with the Corporate Director Resources.

7. The Internal Audit Section reports to the Audit Manager. To meet the provisions of PSIAS 1100 (Organisational Independence), the Audit Manager is not responsible for managing any functions beyond the Internal Audit and Investigation 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

a) Audit

8. **Annex 1** outlines how the audit activities in quarter three have continued to adapt and respond to the current environment in which the Council is operating. In the context of the ongoing pandemic, whilst management focus on critical and priority matters, the team has continued to tailor its consultancy and assurance activities to provide support and attention where it is most required.
9. There has been a continuation of COVID-19 related audit consultancy services during quarter three, with the majority of support provided in respect of the administration of Welsh Government funds for a range of grant and relief payment schemes. As administration responsibilities are allocated to the Council for further schemes, audit colleagues will continue to be available to provide advice and guidance on the design and application of robust controls. A number of pieces of work seeking targeted assurance relating to the pandemic have been completed to at least draft output stage. Details of the nature, focus and findings of this work are outlined within section 2.1. 'Current Activities'.
10. As Committee has been advised previously, the initial focus of assurance work this year was to conclude ongoing audits with a low impact on the capacity of audit clients where possible. Towards the end of quarter one, the audit team commenced a targeted delivery of assurance audit engagements from the Audit Plan 2020/21, at a time when Council services were moving to a documented and managed 'restart'. Delivery of assurance audit engagements has continued thereafter, but has been affected by staff sickness and caring responsibilities, for which further details are provided within section 2.2. 'Resources'.
11. **Appendix A** shows a list of audits and their reporting status in the current year, as at 31 December 2020, whereby 52 new audit engagements have been completed, of which 26 audits have been finalised and 26 audits are at draft output stage. A further 21 draft audits from last year have been finalised in the year to date. Audit opinions of 'effective' or 'effective with opportunity for improvement' have been assigned for 79% of the assurance audit outputs issued in the year to date.
12. **Appendix B** shows the current position against the full Audit Plan 2020/21. Audit Committee was advised when considering and approving the Audit Plan, in March and July 2020 respectively, that due to a range of factors linked with the COVID-19 crisis, delivery would be significantly lower than usual. Members were advised that the Audit Plan would be delivered in a targeted way to maximise assurance and prioritise high-risk areas. Progress against the Plan was strong during quarter three, as outlined in Section 3.2 – 'Performance' in Appendix 1. However, in the context of a critical stage in the pandemic and some associated and wider resource issues, whilst there is good momentum to maintain a high level of audit delivery, this may not be feasible to sustain.
13. During the financial year, the Audit Plan and approach to delivery has been adapted in order to target assurance on key risks and controls, and to provide a body of assurance

work which is adequate to support a full annual opinion on the Council's control environment. This has included adding a substantial provision in the Plan for COVID-19 related audit consultancy work, setting a prioritised approach to auditing fundamental systems and corporate governance, and progressing a targeted spread of wider assurance work. This approach is supported by professional and peer officer discussions, consideration of a recent publications from CIPFA, and relevant IIA briefings. During quarter three, two new audits have been added to the Audit Plan which, due to their size, have been agreed within the delegation of the Audit Manager to approve individual audit engagements, which are of no more than ten audit days. From the provision for grant audits, an audit of the Rumourless Cities Grant has been added to the plan, and audit participation has been arranged to support the National Fraud Initiative exercise.

14. **Appendix C** contains a recent high-level advisory from CIPFA for Heads of Audit and Audit Committees on the annual audit opinion in the current environment. In what has been an extraordinary year, subject to the ongoing reasonable availability of management and auditors, in the context of a critical stage of the pandemic, it is not anticipated that a limitation to the annual opinion on the Council's control environment will be necessary. Further information is provided within Annex 1, section 3.3 – 'Audit Plan – Development'.
15. In quarter three, four audit reports were issued with adverse audit opinions. One 'unsatisfactory' audit opinion was provided in respect of 'British Council Grants', and three 'insufficient with major improvement needed' draft assurance opinions were issued in respect of 'Gatehouse', 'Fly Tipping – Follow up' and 'Mileage and Subsistence'. The findings of these audits are outlined within Annex 1, section 2.4 'Critical Findings or Emerging Trends'. Further information is contained within section 3.3 – 'Audit Opinion – Development' of Appendix 1. Once the management response has been received for the 'unsatisfactory' audit, and the report has been finalised, Audit Committee will receive an executive summary report of the findings and actions for improvement.
16. Performance information and statistics are provided within section 3.2 'Performance'. The delivery of the Audit Plan at the end of quarter three was 38%, against an annual target of 60%, for which targeted progress remains a priority. The audit team have worked with management to finalise a number of audits, and to pursue updates and evidence of the completion of agreed recommendations. Performance is steadily improving, with a greater number of reports being finalised each quarter, and an increased proportion of recommendations being implemented within an agreed timescale. Given the escalation of the pandemic at the outset of quarter four, requests for management responses and updates will continue to be made, but it is recognised that at times performance may be impacted if management prioritise more critical activities associated with front line delivery and risk management.
17. An updated Control Risk Self-Assessment (CRSA) was issued to all schools towards the end of the autumn term, with requested response date of the end of January. Given the challenging and changing situation that schools have been managing since the start of quarter four is expected that the level of response by the requested date will be lower than usual. However, audit colleagues will engage with schools in the exercise during quarter four to request outstanding responses. Audit assurance on the control environment in schools will be targeted through a combination of CRSA response and evidence reviews, and individual school audits (albeit at a lower level than in typical years).

18. The status of audit recommendations is summarised in **Appendix D** to provide an overview of management progress. The detailed position against each red and red/amber recommendation is provided for open recommendations in **Appendix E**, and for recommendations closed since last considered by Committee in **Appendix F**.

a) Investigations

19. **Annex 2** outlines the investigation activities as at the end of quarter three. For the year as a whole the Investigation Team has four hundred and ninety four chargeable days available based on current resources (2.5 fte), indicatively split between strategic (80 days) and operational activities (414 days). Three hundred and ninety two days have been applied as at the end of December 2020 as detailed in the progress report.

20. Six hundred and forty two cases have been concluded, in respect of post payment verification investigations associated with Business Grants, administered on behalf of Welsh Government. As Audit Committee was advised in November 2020, the cases were identified through a combination of data matching and manual exercises by Audit and Investigation Team staff.

21. Excluding the one off business grants work, in respect of all other casework as at the end of quarter three:

- One hundred and fifty one cases were identified for investigation so far this year, compared to one hundred and eighty four for the same period last year;
- One hundred and twenty nine investigations are ongoing, compared to one hundred and thirty eight for the same period last year;
- Two hundred and ninety four investigations have been concluded, compared to one hundred and sixty nine over the same period last year;
- £383,743 has been attributed concluded investigations, compared to £556,076 for the same period last year.

22. Mandatory fraud awareness training also continues to be delivered, and as at the 31 December, in the region of four and a half thousand staff and school governors had completed the eLearning or attended a face-to-face session.

23. The progress report also provides information on the outcomes of the latest biennial National Fraud Initiative (NFI) exercise in Wales, policy development and training updates, and details of participation in Fraud Awareness Week during November 2020.

24. The summary report in Annex 2 provides further details in respect of the above.

Legal Implications

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

Financial Implications

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

RECOMMENDATIONS

27. That the Audit Committee considers and reviews the content of the Internal Audit and Investigation Team Progress Reports.

Chris Pyke
Audit Manager

The following are attached:

Annex 1 - Internal Audit Progress Report

Appendix A	Report Status as at 31 December 2020
Appendix B	Audit Plan
Appendix C	CIPFA Guidance – Head of Audit Annual Opinions
Appendix D	Recommendations Summary
Appendix E	Red & Red / Amber Open Recommendations
Appendix F	Red & Red / Amber Recommendations Completed since last Committee

Annex 2 - Investigation Team Progress Report

Mae'r dudalen hon yn wag yn fwriadol



Resources Directorate Internal Audit Section



Internal Audit Progress Report (as at 31 December 2020)

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 Appendix A	 Report Status as at 31 December 2020
Appendix B	Audit Plan
Appendix C	CIPFA Guidance – Head of Audit Annual Opinions
Appendix D	Recommendations Summary
Appendix E	Red & red / amber open recommendations
Appendix F	Red & red / amber recommendations completed since last considered by Committee

Prepared by: Chris Pyke, Audit Manager

INTERNAL AUDIT PROGRESS REPORT

1. INTRODUCTION

1.1 Background

The Internal Audit Progress Report sets out performance in relation to the Internal Audit Plan. It summarises the work performed, the priority recommendations raised, the critical findings, emerging trends, and relevant value for money findings.

The Internal Audit Plan provides the framework for audit work each 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 Audit plan 2020/21 was accepted by the Audit Committee through a period of consultation between 23 March – 3 April 2020, and received formal approval on 28 July 2020.
- To further clarify the priority areas of audit focus this year, against a performance target to deliver 60% of the original Audit Plan, the Audit Committee approved the deferral of 32 Audits on 17 November 2020.

This progress report provides a summary account of audit activities, findings and progress against the Audit Plan in quarter three 2020/21.

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 Internal Audit and Investigation 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

Auditors completed their year-end personal reviews and formalised their objectives for 2020/21 in accordance with corporate timescales. Prior to discussing performance, auditors updated their skills assessments applying the IIA Professional Competencies Framework.

The results of personal reviews and skills assessments informed the year-end Audit Manager's review against the Quality Assurance and Improvement Programme (Standard 1300), from which a generally strong baseline of knowledge and skills were recognised across the audit team. Areas of the IIA Professional Competencies Framework where auditors scored themselves comparatively lower are being targeted through in-house team training sessions, which commenced in May 2020.

1.4 Communication

In response to an action from a previous Audit Committee discussion, to communicate the role and work of Internal Audit more widely, a page on the Council's website has been developed and will be maintained with bilingual information, and reports following reporting to each Committee meeting.

- Welsh Link - <https://www.cardiff.gov.uk/CYM/Eich-Cyngor/Cyllid-y-cyngor/Rheoli-Cyllid-y-Cyngor/archwiliad-mewnol/Pages/default.aspx>
- English Link - <https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Managing-the-Councils-Finances/internal-audit/Pages/default.aspx>

2. SUMMARY OF WORK PERFORMED

The following summary covers the work programme for 2020/21, and the associated activities, resources, findings and measures of performance as at the end of quarter three 2020/21.

2.1 Current activities

COVID-19 related consultancy services

As Audit Committee has been advised since the onset of the pandemic, significant audit attention has been given to providing critical advice and support to management as the Council adapted services and established new systems in response to the crisis. Consultation and engagement was provided in cases where there was a need for fundamental process change, a risk to resilience, the need to respond to a significant obligation or challenge as a result of the crisis, or a particular fraud or control risk.

Since quarter two, and thereafter, the majority of audit consultancy and support has been provided in respect of the administration of Welsh Government funds for a range of grant and

relief payment schemes. As administration responsibilities are allocated to the Council for further schemes, audit colleagues will continue to be available to provide advice and guidance on the design and application of robust controls.

COVID-19 consultancy is recognised as three separate areas of audit work within the Audit Plan 2020/21, contained within the 100 days of bulk audit time available. The following table contains details of the COVID-19 consultancy work undertaken in the year to date.

Figure 1. COVID-19 consultancy work and status.

Scope	Area	Scope	Status
1. New system checks. compliance, internal controls and counter-fraud	Start-up grants	Supporting a multidisciplinary team with advice and guidance on design of the system through which grants were administered and paid.	Completed
	Business grant administration		
	Wales culture recovery fund – freelancer support		
	Isolation payments		
	Lockdown grant		
	Restrictions business fund		Ongoing
	Supplier relief	Discussion and engagement with commissioning and procurement and schools	Completed
	Coronavirus childcare assistance scheme	Advice and guidance on processes and controls in the system for processing and administering payments.	
	Childcare provider grant		
	Care workers £500 payment scheme		
	Statutory sick pay enhancement scheme		
	Childcare provider support (CWTCH) grant		
2. Resilience, continuity & control. Consultancy	Procure to pay	Advice and guidance in procurement systems and managed use of procurement cards.	Completed
	Procurement cards		
3. Counter-fraud prevention & post assurance checks.	Business grant administration	Active company checks, and validation of eligibility and fraud vulnerabilities for fraud prevention and detection.	Completed

Assurance audit engagements

As Audit Committee has been advised previously, at the outset of the financial year initial focus was given to the conclusion of audits which were already underway. Audits were progressed on a low impact on the capacity of the client, through an increased use of desktop testing, data and system interrogation, and a reduction in the level of management engagement during audit fieldwork where appropriate and feasible. Towards the end of quarter one, when Council services were moving to a documented and managed 'restart' across directorates, the audit team commenced a targeted delivery of assurance audit engagements from the Audit Plan.

Auditors have continued to complete their work while working remotely from home and, although it is noted that it can take longer than usual to receive all of the information and documents necessary to complete an audit, the process is generally working well. This year any site visits will be considered on the basis of business necessity only, and will be supported by authorised risk assessments and control processes.

The table below shows the list of audits completed and their reporting status in the current year to 31 December 2020. There have been 52 new audit engagements completed this year, of which 26 audits have been finalised and 26 audits are at draft output stage. A further 21 draft audits from last year have been finalised in the year to date. A summary of the audit outputs and opinions in the year to date is shown below.

Figure 2. Audit outputs and opinions (at 31 December 2020)

Status	Number of completed audits	Opinion				
		Effective	Effective with opportunity for improvement	Insufficient (major improvement needed)	Unsatisfactory	No opinion given
Draft	26	5	17	3	1	0
Final	47	7	21	9	0	10
TOTAL	73	12	38	12	1	10
	52	<i>New Audit Engagements completed</i>				
	21	<i>Finalised Audit Engagements from 2019/20</i>				

Since the last reporting period, one draft audit output has been issued with a draft opinion of unsatisfactory, and three draft outputs have been issued with opinions of insufficient with major improvement needed. Information on the findings of these audits is provided within Section 2.4 (Critical Findings or Emerging Trends).

Figure 3. Breakdown of audit outputs and opinions (at 31 December 2020)

No.	Assurance Audit Engagement	Audit Opinion
<i>Delivery of Audit Plan 2020/21</i>		
1.	Governance and Legal Services – Commissioning & Procurement	Effective
2.	Codes of Conduct	
3.	Payroll – In-year Testing (2019/20)	
4.	Payroll – In-year Testing (2020/21)	
5.	Governance Arrangements 2020/21	
6.	Business Grants Assurance	
7.	People and Communities – Commissioning and Procurement	
8.	Governance and Legal Services - Income and Debtors	
9.	Digital Services - Hybrid Mail	Effective with opportunity for improvement
10.	Health and Safety - Resources	
11.	Programme and Project Risk Management	
12.	Directorate Risk Management	
13.	Complaints and Compliments	
14.	City Deal 2019/20	
15.	PTE - Trolleys	
16.	Pensions and Investment In-year testing	
17.	Resources – Commissioning & Procurement	
18.	PTE – Commissioning & Procurement	
19.	People & Communities – Asset Management	
20.	Recruit	
21.	Economic Development – Commissioning & Procurement	
22.	Education Improvement Grant 2019/20	
23.	Corporate Landlord	
24.	Follow up – Contacts in Waste Management	
25.	Follow up – Income Procedures in School Kitchens	
26.	Commissioning and Procurement - Education	
27.	Income and Debtors - Education	
28.	Income and Debtors – Social Services	
29.	Additional Payments (payroll & allowances)	
30.	Follow up – Pontprennau Primary	
31.	People and Communities – Income and Debtors	

32.	Follow up – St Peters R.C Primary	
33.	Programme and Project Governance -	
34.	Economic development - Income and Debtors	
35.	PTE - Asset Management	Insufficient with major improvement needed
36.	Street Scene (Waste Management) - Asset Management	
37.	Social Services – Commissioning & Procurement	
38.	Bereavement Services	
39.	Gatehouse	
40.	Mileage and Subsistence	
41.	Follow up – Fly Tipping	
42.	British Council Grants	Unsatisfactory
Audit Work with ‘No Opinion’		
43.	Joint Committees - Prosiect Gwyrdd	Consultancy, certification, advice and guidance
44.	Joint Committees - Port Health Authority	
45.	Joint Committees - Glamorgan Archives	
46.	New system checks - compliance, internal controls and counter-fraud	
47.	Resilience, continuity & control - Consultancy	
48.	Counter-fraud prevention & post assurance checks	
49.	Payroll CRSA	
50.	Creditor payments CRSA	
51.	Schools CRSA	
52.	Private Rental Leasing Scheme	
Concluded Reports from the prior year		
53.	Health and Safety - People and Communities	Effective
54.	Major Projects Governance	
55.	Creditors - mid year testing 2019/20	
56.	Digital Services - Virtual Agent	
57.	Health & Safety - PTE	Effective with opportunity for improvement
58.	Health and Safety - Economic Development	
59.	Income collection - Cardiff High School	
60.	Governance Arrangements 2019/20	
61.	Performance Management	

62.	Safeguarding - follow up	
63.	NNDR in-year testing	
64.	Lamby Way Stores - Follow Up	
65.	Penttyrch Primary School	
66.	Health and Safety – Social Services	
67.	Foster Carers	
68.	Health and Safety – Governance and Legal Services	
69.	Econ Dev - Asset Management	Insufficient with major improvement
70.	IT inventory and asset management	
71.	Cardiff Film Office	
72.	Health and Safety - Waste Management	
73.	Social Services – Asset Management	

Further to the table above, the outputs that were not been given an assurance opinion and the reasons for this were as follows:

Figure 4. Completed audits without an assurance opinion (at 31 December 2020)

Audit	Comments
Joint Committees - Prosiect Gwyrdd	Work to support completion of Statement of Accounts, 2019/20
Joint Committees - Port Health Authority	
Joint Committees - Glamorgan Archives	
New system checks - compliance, internal controls and counter-fraud	COVID-19 advice and guidance on establishing new systems and processes.
Resilience, continuity & control - Consultancy	COVID-19 advice and guidance in procurement systems and managed use of procurement cards.
Counter-fraud prevention & post assurance checks	Participation in data analytics and follow up checks to identify ineligible / fraudulent business grant cases.
Payroll CRSA	Control Risk Self-Assessment (CRSA) responses received. The assertions made in the management responses will be followed up with detailed audit testing during the year, at which time an audit opinion will be allocated.
Creditor payments CRSA	
Schools CRSA	Control Risk Self-Assessment (CRSA) prepared, presented to School Budget Forum and issued to schools for completion by the end of January 2021. The assertions made from Schools are being checked in the returns and supporting evidence received, with guidance provided as appropriate.
Private Rental Leasing Scheme	Advice and guidance on the development of effective controls in the scheme.

The report status for the year to date is shown in **Appendix A**.

COVID-19 related assurance audit engagements

As Audit Committee will be aware, the scope of all audits is based on an assessment of risk, and accordingly, governance, risk and control matters associated with the pandemic are subject to consideration and appropriate coverage in each audit engagement in the current environment. However, there have also been some targeted pieces of work which have focused more directly on receiving assurances relating to the pandemic, which have now been completed to at least draft output stage, for which further details are provided below.

Figure 5. COVID-19 completed assurance work

Audit Area & Scope	Key Findings
<p><u>Governance Arrangements</u></p> <p>The audit focused on the arrangements and systems in place within the context of the Covid 19 pandemic. At the time of the audit the normal mechanisms for good governance, as represented by the Council's Code of Corporate Governance, had been overtaken through the need to invoke emergency management reporting, decision making and control processes on an ongoing basis since the end of quarter four 2019/20. In the context of the ongoing pandemic, these systems represented a core element of day-to-day governance arrangements, and are the focus of this audit.</p> <p>The audit provided an assurance opinion of <i>effective</i>.</p>	<ul style="list-style-type: none">• The Council applied and adapted existing processes and invoked plans for business continuity and emergency responses.• A command and control approach for cascading communications and decision making was applied through designated Gold and Silver Officers.• Senior Management Team (SMT) meetings became a daily Strategic Coordination Group (SCG) on a cross directorate basis to manage issues such as PPE, food delivery, grant administration etc.• Instructions and templates were provided by the Emergency Management Unit for directorates to complete and return daily operational decisions and issues, with clear roles and responsibilities.• Other governance processes continued as usual or restarted relatively promptly with a level of development / adaptation promptly, e.g. the re-establishment of Committee meetings, Risk registers, which were developed to contain matters associated with the pandemic.
<p><u>Income and Debtors (thematic review)</u></p> <p>A review of income and debtors was arranged in each directorate. The audits considered the processes and controls in place in the normal operating environment (during 2019/20), and has separately considered the management of associated risks in the context of the ongoing pandemic.</p>	<ul style="list-style-type: none">• Through review and verification of records held, and processes outlined, there was general assurance on the systems in place to account for and reclaim lost income from Welsh Government associated with the pandemic in each directorate.• Draft recommendations have been raised with directorates in instances where it was considered that greater attention is required as part of the budget

<p>In reviewing the position, relevant engagement was made with accountants and directorate management to understand and consider the reasonableness of current processes to reclaim lost income from Welsh Government as a result of the ongoing pandemic, and the reasonable development of income / budget plans for once this support ends.</p> <p>Governance and Legal Services received an audit opinion of <i>effective</i>, and the other directorates have received opinions of <i>effective with opportunity for improvement</i>. At the time of reporting, the fieldwork in respect of PTE and Resources is ongoing.</p>	<p>setting process in respect of plans for lost income, for when ongoing support ends.</p> <ul style="list-style-type: none"> • Wider common findings and recommendations related to maintaining up to date Payment Card Industry training for appropriate officers, and to document and align debt recovery processes in certain directorates.
<p><u>Commissioning & Procurement (thematic review)</u></p> <p>A review of commissioning and procurement was arranged in each directorate. The objective of the audits was to provide assurance that Commissioning and Procurement activities are effective, undertaken in compliance with Contract Standing Orders and Procurement Rules (CSOPR), and appropriately monitored and overseen.</p> <p>The audit approach was delivered through an examination of:</p> <ul style="list-style-type: none"> • Procurement transactions and activities in 2019/20, to understand typical procurement environment for the directorate in normal operating circumstances; • Procurement activities during the COVID-19 crisis, through officer interviews and examination of relevant records. <p>The audits in People and Communities and Governance and Legal Services directorates received audit opinions of <i>effective</i>. The Resources, PTE, Economic Development and Education directorates received audit opinions of <i>effective with opportunity for improvement</i>, and the Social Services directorate received an audit opinion of insufficient <i>with major improvement needed</i>.</p>	<ul style="list-style-type: none"> • The mechanisms for reporting and monitoring compliance were generally considered to be operating effectively across directorates, although in Social Services, as outlined in the last progress report to Audit Committee (17 November 2020), it was considered that a targeted strategic approach was required to recover from the current position, whereby a number of contracts were out of date or subject to extension and direct award, on a managed and targeted basis. • The audit recognised the communications to given to service managers and schools in respect of supplier relief. • Procurement activities during the pandemic were materially operated in compliance with due process, but there were some administrative gaps in the documentation of appropriate authorisations, for which recommendations were raised as appropriate. • A wider common finding from aged vendor analysis highlighted outstanding transactions that directorates needed to systematically review and clear from the GR/IR account to avoid payment delays or error.

<p><u>Corporate Landlord</u></p> <p>As part of the audit review which considered the strategic and operational approach to managing the Council's statutory obligations as Corporate Landlord, particular attention was given to reviewing compliance and control in the context of the ongoing pandemic, whereby after initial widespread homeworking, there was a managed reopening of the Council's non-domestic estate.</p> <p>The audit provided an assurance opinion of <i>effective with opportunity for improvement</i>.</p>	<p>The audit recognised that there has been a well structured approach to risk assessments for staff, offices and buildings with senior officer sign off and health and safety officer support:</p> <ul style="list-style-type: none"> • Before buildings could be reopened, a risk based approach has been followed with three forms of risk assessment required (re. gas, legionella and fire alarms), and very few buildings stayed open for essential officers at the start of the pandemic. • Prior to opening schools, a risk assessment was completed with the support of health and safety colleagues, and key checks were made. <p>The overall compliance position has not been monitored or reported using the normal regime since March 2020. It is recommended that reports should now recommence to senior management team and other relevant health and safety oversight functions on statutory compliance, with focus given to isolating assurance on compliance of buildings that are operational.</p> <p>The audit raised wider recommendations to support and coordinate the strategic vision of the corporate landlord approach, to manage contractor performance issues, and to maintain effective security during the reduced level of presence in operational buildings.</p>
<p><u>Business Grants - Assurance</u></p> <p>The objective of the audit was to provide assurance that effective controls were put in place for the administration of the Covid-19 business support grants scheme.</p> <p>The audit provided an assurance opinion of <i>effective</i>. The auditor who completed the work had not been involved in the associated audit consultancy work in this area.</p>	<p>The audit considered that Internal and external risk mitigation controls had been appropriately designed and a clear risk based database system was developed, with sound authorisation controls, record keeping and separation of duties in place, to prevent the majority of cases of fraud and error at the point of application, supplemented with mechanisms and arrangements to detect and take appropriate action in any cases where grants were paid in error.</p>

2.2 Resources

At the end of quarter three, a Principal Auditor left the team to work within the Accountancy Section. The audit post is considered as essential, and accordingly has been promptly advertised, with a closing date for applications of 29 January 2021.

The COVID-19 crisis has significantly affected the activities and capacity of audit clients, and it also had a material impact on the capacity of the audit team and the audit resources. The audit team has followed corporate guidance, whereby officers received special leave for periods that they have needed to care for dependants and have been unable to work. However, the team has shown significant personal flexibility in their commitment to limiting the use of special leave as far as possible.

In previous audit progress reports this year, Audit Committee was advised that available staff resources have also been impacted by an increased level of sickness and bereavement leave. At the start of the financial year, one member of the team was also temporarily deployed for a number of weeks to support their personal development and assist the finance team in preparation of the Statement of Accounts 2019/20, which also affected the staff resource.

Following two cases of long-term sickness within the team during quarter two, there has been one long-term sickness case during the majority of quarter three, which is presently ongoing. Given the relatively small team size, any cases of long-term sickness affect the level of progress that can be made against the plan during the quarter.

As all operational auditors and the audit assistant record all actual time worked, there is useful management information available for planning, monitoring and reporting purposes. Timesheet data contained 1,121.8 chargeable days as at the end of quarter three, against a pro-rata plan of 1,433.8 days, showing that the team has been operating at a chargeable capacity of circa 78% of planned. The audit targets for delivery of the Audit Plan 2020/21, as set out in section '3.3 - Performance', are based on delivery at 75% of the level targeted under normal conditions, given the current environment.

One member of the team has been approved to study for ISACA's Certified Information Systems Auditor (CISA) qualification, which they intend to commence during quarter four, to enhance the

IT audit skills within the team. One member of the team continues to be supported through a CIA qualification with the IIA, and is working towards their third and final exam. Funding to study for the CIA qualification for another member of the team has ceased due to unsuccessful attempts at second exam.

The audit team has received its latest CIPFA trainee placement, as CIPFA placements operate on an annual rotation across finance teams. As part of the trainee rotation there is a continuity of CIPFA placement resource for the audit team.

2.3 Annual plan

In considering the Audit Plan in March 2020, and in giving formal approval on 28 July 2020, the Audit Committee was advised that due to a range of factors linked with the COVID-19 crisis, delivery would be significantly lower than usual. The Plan was built on auditor and client availability and capacity in a normal operating environment, but targeted delivery of the Plan was set at 60% for the year, for which the typical target is 80%.

On 17 November 2020, Audit Committee agreed a targeted deferral of 32 audit engagements from the Audit Plan, to provide a clear risk-based focus on the areas where audit resources would be targeted. There has been limited subsequent change to the audit plan. Two new audits have been added to the Audit Plan which, due to their size, have been agreed within the delegation of the Audit Manager to approve individual audit engagements, which are of no more than ten audit days. From the provision for grant audits, an audit of the Rumourless Cities Grant has been added to the plan, and audit participation has been arranged to support the National Fraud Initiative exercise.

The team has focussed on delivering their portfolio of audit engagements, and delivery has ramped up to provide a more favourable position at the end of quarter three, compared to prior reporting periods, as shown in figure 7 within the section '3.2 – Performance'. Whilst there has been an improved delivery of the assurance audit plan in quarter three, there will be significant challenges to deliver the 60% of the audit plan as targeted given the current environment of a critical stage of the ongoing pandemic, a vacant Principal Auditor post, and an ongoing long-term sickness case. However, there is good momentum and commitment in the team to continue to progress strongly in delivering the audit plan. It should also be noted that a significant amount

of COVID related consultancy work which whilst critical in nature, is represented as three units of audit work. This work, as detailed in Figure 1 of '2.1 – Current Activities' has been essential and will continue alongside the wider assurance audit plan. **Appendix B** shows the current position against the Audit Plan.

Whilst set on an annual basis, the Audit Plan is adaptable and responsive and will be subject to ongoing risk assessment, prioritisation and review throughout the year to maximise assurance and management support. In-year changes may be introduced where appropriate, to respond to emerging risks and issues as the year progresses. Further information on the targeted approach to adapting and delivering the Plan is contained in section 3.3. – 'Audit Opinion – Development'

2.4 Critical findings or emerging trends

Over the reporting period, four audit outputs were issued with adverse audit opinions for which further details are provided in the paragraphs below. At the reporting date, the audits referred to below were at a draft status, for which the findings were being discussed with management, and once finalised, the final opinion and recommendations will be reported to Audit Committee.

An audit of 'British Council Grants' was issued with an opinion of 'unsatisfactory'. The audit reviewed compliance and control in the administration of British Council Grants by International School Linking (ISL), which is a team within the Education and Lifelong Learning directorate. The audit also sought assurance that a third party entity, International Links (Global) (IL(G)), which has no link to the Council but has been operating from the same location as ISL in Greenway Primary School, has full and proper separation from the activities, funding streams and resources of ISL. The audit considered that a number of control gaps need to be addressed by management to provide the necessary assurance on good governance in the administration of funds. It has also been reported that the operating environment and structure have inhibited a separate demarcation between each entity, as the lead Council officer (ISL Manager) was also a lead officer and director of the separate entity, to whom Council and private staff members reported and worked in a shared office. A series of recommendations have been raised for management consideration, and once the management response has been received and the audit has been finalised, Audit Committee will receive an executive summary report of the findings and actions for improvement in the following Committee meeting.

An audit of 'Gatehouse', operated to record weighbridge activity in Lamby Way and Bessemer Close, provided an insufficient assurance opinion. Following a previous audit during 2019/20, a key area still requiring attention relates to access rights for the Gatehouse system. Three officers, who were the administrators / super users of the Gatehouse system, had the ability to change system passwords and the access rights of all users. However, the system did not offer an audit trail of the amendment of system access or passwords, meaning that, in the event of an access concern or discrepancy, it may not be possible to identify those involved. Additionally, during the current audit, due to a system fault, it was not possible to view a report, showing the system users, their levels of access, or system activity status. Management has identified the procurement of a new weighbridge operations system, and associated CCTV, as the longer-term solution to a number of the control issues identified and have advised that it is anticipated that this will now be achieved by April 2021. The audit has, in general, noted good practices for recording waste movements on Gatehouse. However, a reconciliation was not being performed between entries recorded on the Gatehouse system and those captured separately on site. At the conclusion of the audit, management advised that this control had been reinstated.

A follow up audit of 'Fly Tipping' has provided an opinion of 'insufficient with major improvement needed'. The previous audit undertaken in 2019/20 received an unsatisfactory assurance opinion as processes were fragmented, fly tipping was not systematically recorded and properly evidenced at the point of receipt, and management monitoring and performance management arrangements were not sufficient, leaving the Council exposed to risk. The follow up audit has identified process development and alignment, in that the Council's Startraq system is being used to log fly tipping events and waste, and a greater level of evidence is being systematically obtained to support fly tipping waste collection activities. However, the agreed monitoring regime and data validation have slipped due to the demands of the ongoing pandemic. A number of other recommendations were being progressed and, whilst their progression to date has provided a level of mitigation, the current control environment still required improvement in order to provide the necessary assurance that risks are effectively controlled.

An audit of 'Mileage and Subsistence' provided an opinion of 'insufficient with major improvement needed'. The audit identified that authorisation to drive documentation, certifying that officers driving for work purposes had a valid insurance, MOT and driving licence was not being kept up to date. A material proportion of receipts for mileage claims were also not attached

to DigiGOV claims to allow for clear visibility and auditability of compliance and control, and individual claims did not consistently contain valid VAT receipts to cover all journeys claimed. In respect of subsistence, some matters of eligibility in respect of Council policy are being discussed with HR. The overall findings will be discussed with the management in HR and the Council's VAT Accountant, together with the proposed recommendations for improvement.

2.5 Follow up audits

Audit Committee will be aware that, in accordance with the Audit Protocol, in each case where an audit is assigned an unsatisfactory audit opinion, arrangements are made for a follow up audit in order to seek assurance that the necessary improvements have been made.

Draft audit outputs have been issued for four follow up audits, representing areas previously assigned unsatisfactory assurance opinions. In three follow up audits, sufficient progress was considered to have been made, for audit opinions of 'effective with opportunity for improvement' to be allocated. In the remaining follow up audit an opinion of 'insufficient with major improvement needed' was allocated. Further details are outlined below.

The follow up audit of 'Contracts in Waste Management' provided an assurance opinion of effective with opportunity for improvement. It was recognised that management have provided substantial attention to reviewing their existing contract position, and coordinating improvements. Over the last twelve months, the incidence of high value procurements without a current contracts in place, have been significantly reduced / addressed. In addition, a number of re-procured and newly procured contracts were well progressed and either out to tender and/or in the standstill of award/pipelines, albeit some contracts were delayed due to the COVID-19 crisis and officer availability. Discussions were also ongoing between senior officers in Waste Management and Commissioning & Procurement to develop use of the Proactis system, to facilitate ongoing contract monitoring and management. Areas still requiring management attention from the previous audit, related to processes for income contracts, contract and variation planning, performance monitoring, and contract management and reporting for which actions were ongoing.

The follow up audit of 'Income Procedures in School Kitchens' provided an assurance opinion of effective with opportunity for improvement. The audit identified that the pertinent areas for

which the previous audit opinion was unsatisfactory had been mitigated through an enhanced digitisation of processes. From March 2020, the start of the Covid-19 pandemic, the rollout of a cashless method of collection of income was accelerated to aid schools and the Council in the provision of food to free school meal pupils. There were, however, a small number of schools that, for varying reasons, were not using the cashless method of collection. The updated arrears policy based on a cashless catering school was yet to be issued, as not all schools had previously been moved to the cashless catering function. Debts had not risen substantially but there is a risk that this will change due to the current and future uncertain economic environment.

The follow up audit of 'Pontprennau Primary' provided an assurance opinion of effective with opportunity for improvement. The audit recognised improvements in the governance arrangements in place at the school. The Governing Body had been strengthened and policies updated; three governors had not yet completed their mandatory training but, at the time of the audit, were within the timetable set for the completion of the training. The school's charging and remissions policy and authority list had been updated but needed further revision to strengthen internal controls. There had also been improvements in the level and frequency of budget monitoring information provided to the Finance Committee. Information was being provided to governors on a monthly basis, which gave the governors an opportunity to monitor the school's spending profile. Although it was appreciated that the school's private fund was now a standing item on the agenda of meetings of the Finance Committee, further improvement was recommended in its management, as the account had not been audited in some time.

The only follow up audit output issued with an adverse audit opinion was in respect of 'Fly Tipping', for which information is provided in section 2.4 – 'critical findings or emerging trends'.

2.6 Value for money findings

There were no value for money themed audits undertaken within the reporting period. The vast majority of audits undertaken by the Internal Audit Team have objectives which cover value for money assurances, from which a general satisfactory level of assurance can be provided for the reporting period. However, within the audits of a lower assurance opinion, there were control gaps, which need to be addressed to provide assurance that the objectives of these services are being run with proper attention to a combination of economy, efficiency and effectiveness.

3. AUDIT PERFORMANCE AND ADDED VALUE

3.1 Added value

Relationship Management meetings have continued to be held on a quarterly basis with senior officers in each directorate. Particular focus has been given to understanding the priorities and risks within each management team, and the changes to systems or processes planned or underway, in order to direct audit advice and inform the planning of audit engagements. Attention has also been given to discussing progress against the delivery of audit recommendations and the finalisation of audit reports.

Feedback from audit clients has been positive in the year to date. Twenty five questionnaire responses have been received and in all areas responded to auditors were assessed as at least 'satisfactory'. In all responses received clients advised that the audit 'added value'.

In the audit outputs issued to date (as at 31 December 2020), there have been 397 recommendations made: 194 recommendations have been agreed, and the remaining 203 are being considered by audit clients through draft audit outputs. These are summarised below:

Figure 6. Recommendations raised and agreed

Rating	Recommendations made	Recommendations agreed	Recommendations being considered
Red	32	11	21
Red / amber	172	81	91
Amber / green	165	87	78
Green	28	15	13
TOTAL	397	194	203

3.2 Performance

As outlined in section 2.1 ('Current Activities'), the focus of audit work at the start of the financial year was to provide audit consultancy and support to areas where Council services needed to change and adapt to the crisis. This was followed by a more formal commencement of assurance audit engagements and a managed return to business as usual in June 2020, at the time when services has commenced a formal 'restart' phase. This assurance work ramped up during quarter three, and whilst efforts will continue to sustain performance in quarter 4, it is expected that delivery will be affected as audit staff and client work through a critical stage of the ongoing pandemic.

As outlined in 2.2 ('Resources'), there are various reasons why the audit service has been operating at a lower capacity, and in some cases efficiency, than usual. In recognition of the current environment which can impact on the capacity and availability of both auditors and clients, performance targets were lowered from their usual levels, and set at stretching but more realistic levels for the year, and discussed with Audit Committee in July and shown in Figure 7. The average number of audit productive days to date is in line with expectations in the current environment, and the team has continued to deliver draft reports promptly, after the conclusion of audit fieldwork.

Audit Committee was advised on 28 July 2020 that, during quarter one, the audit team stood down from seeking management responses and progress against recommendations raised, and finalising audits. This action was taken to give management the space to address crisis management matters. The normal regime resumed in quarter two, following which the audit team have worked with management to finalise a number of audits, and to pursue updates and evidence of the completion of agreed recommendations. Performance is steadily improving, with a greater number of reports being finalised each quarter, and an increased proportion of recommendations being implemented within an agreed timescale. Given the escalation of the pandemic at the outset of quarter four, requests for management responses and updates will continue to be made, but it is recognised that at times performance may be impacted if management prioritise more critical activities associated with front line delivery and risk management.

The last area of the Audit Plan to commence related to school audits. An updated Control Risk Self-Assessment (CRSA) was issued to all schools towards the end of the autumn term with a requested response date of the end of January. Given the challenging and changing situation that schools have been managing since the start of quarter four, it is expected that the level of response by the requested date will be lower than usual. However, audit colleagues will engage with schools in the exercise during quarter four to request outstanding responses. School audits commenced during quarter three on a desktop basis, in order to safeguard schools and audit staff during the pandemic. Audit assurance on the control environment in schools will be targeted through a combination of CRSA response and evidence reviews, and individual school audits (albeit at a lower level than in typical years). It is anticipated that this will achieve sufficient assurance work to avoid having to report a limitation on the annual assurance opinion in respect of schools. Further information is provided in section 3.3 – 'Audit opinion - development'.

Figure 7. Performance against targets for 2020-2021 (to date)

Performance Indicator	2019/20 Outcome	2020/21 Target	Q1 Outcome	Q2 Outcome	Q3 Outcome
The percentage of the Audit Plan completed	70%	60%	9%	20%	38%
The average number of audit productive days per FTE	169	130	33	67	109
The average number of finalised audits per FTE	11	9	*0.54	2.48	5.06
The percentage of draft audit outputs delivered within six weeks	86%	85%	100%	100%	100%
The percentage of audit recommendations implemented within the agreed timescale	60%	80%	**0%	50%	82%

* Draft reports not chased up to be finalised in Q1, to allow for attention on COVID-19 priorities.

** Implementation of recommendations not chased up in Q1, to allow for attention on COVID-19 priorities.

3.3 Audit opinion - development

During the financial year, the Audit Plan and approach to delivery has been adapted in order to target assurance on key risks and controls, and to provide a body of assurance work which is adequate to support a full annual opinion on the Council's control environment. This has included adding a substantial provision in the Plan for COVID-19 related audit consultancy work, setting a prioritised approach to auditing fundamental systems and corporate governance, and progressing a targeted spread of wider assurance work.

All decisions in respect of the Plan have been made within appropriate attention to risk, professional standards and advisories from CIPFA and the IIA, and the advice of professional and peer officers. CIPFA has recently published guidance on 'Head of Internal Audit Annual Opinions', which is contained in **Appendix C**, as a high-level advisory for Heads of Audit and Audit Committees.

In what has been an extraordinary year, subject to the ongoing reasonable availability of management and auditors, in the context of a critical stage of the pandemic, it is not anticipated that a limitation to the annual opinion on the Council's control environment will be necessary. The capacity of management in the Education and Social Services areas of the Council is particularly impacted by the current phase of the pandemic, but a reasonable level of work has been completed in respect of Social Services to date, with further work underway. In respect of Education, a reasonable level of the Plan has been completed, and an approach is in place to complete a targeted CRSA exercise with schools during quarter four, and undertake further individual school audits on a desktop basis.

3.4 Recommendations

A summary of the open audit actions is included within **Appendix D**, to support the Audit Committee to monitor and review the management response to recommendations raised.

Included within **Appendix E** are the red and red/amber open recommendations including the current management response for the information and monitoring of the Audit Committee. **Appendix F** contains the red and red/amber recommendations, which have been completed since they were last considered by Audit Committee. Amber / green and green recommendations are provided to Committee via a separate route.

The position against recommendations is reported, to monitor progress and target discussions on the effective management of risk management, in relationship management meetings each quarter. The table below shows the instances where implementation dates have been revised, typically by audit clients on SharePoint (as at 31.12.20).

Figure 8. 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	41	22	19
Social Services	17	11	6
Resources	7	4	3
Housing and Communities	4	2	2
Planning Transport and Environment	6	3	3
Waste Management	54	37	17
Central Transport Services	9	5	4
Economic Development	21	16	5
External and grants	8	1	7
Fundamental	9	6	3
Corporate Governance	13	6	7
Governance and Legal Services	2	0	2
Other assurance	17	6	11
	208	119	89
Schools	192	130	62
TOTAL	400	249	151

NB - It should be noted that the table above represents the quarter-end position, whereas the recommendation tracker appendices show the detailed position against each recommendation at the closest possible date to each Committee meeting.

4. CONCLUSION

4.1 Summary

Quarter three has seen a continued, albeit lower need to deploy audit resources for advice, guidance and support services to management as systems and processes have responded to the crisis. The majority of COVID-19 related consultancy services now relate to the provision of advice and guidance on the application of effective controls in administration of a range of Welsh Government funds.

Assurance audit engagement activity has ramped up during the year, and there has been a recovery against the audit plan during quarter three. However, in the context of a critical stage in the pandemic and some associated and wider resource issues, whilst there is good momentum to maintain a high level of audit delivery this may not be feasible to sustain.

However, following an agreed reprioritisation of the Audit Plan in November 2020, there has been a continued, targeted and informed approach to delivering the Plan. All fundamental system and corporate governance reviews are being completed from the Plan, and a provision of work is targeted in each further area of the Plan, to provide a sufficient breadth of assurance work, and avoid the requirement to limit the annual assurance opinion based on the actual programme of work completed at the end of the year. This approach is supported by professional and peer officer discussions, in consideration of a recent publication from CIPFA, and relevant IIA briefings.

The regime of chasing up management responses to recommendations and finalising audits is in place, and performance has been improving, but it is recognised that some management teams may consider it necessary to prioritise front-line critical issues associated with the ongoing pandemic.

Report Status (as at 31 December 2020)

Audit Opinion	Audit Area	High Risk Recommendations		Status (If not Final)	
		Proposed	Agreed		
Fundamental / High					
Effective	Payroll In-year Testing (2019/20 & 2020/21)				
	People and Communities – Commissioning & Procurement				
	Governance and Legal Services – Income and Debtors				
	Business Grants - Assurance				
	People and Communities - Health and Safety				
	Creditor Payments – in-year testing 2019/20				
	Codes of Conduct				
	Governance Arrangements 2020/21				
	Governance and Legal Services – Commissioning & Procurement				
Effective with opportunity for improvement	Ethics and Values - Business and Personal Interests			Drafts Issued	
	Resources - Health and Safety				
	Programme and Project Risk Management				
	Directorate Risk Management				
	Corporate Landlord				
	Education - Commissioning and Procurement				
	Education – Income and Debtors				
	Social Services – Income and Debtors				
	Additional Payments (payroll & allowances)				
	People and Communities – Income and Debtors				
	Economic Development – Income and Debtors				
	Economic Development – Health and Safety				
	Governance Arrangements 2019/20				
	Economic Development – Commissioning & Procurement				
	Performance management				
	Safeguarding - follow up				
	Recruit				

Audit Opinion	Audit Area	High Risk Recommendations		Status (If not Final)
		Proposed	Agreed	
	Complaints and Compliments			
	Pensions and Investment In-year testing			
	Resources – Commissioning & Procurement			
	PTE – Commissioning & Procurement			
	People and Communities – Asset Management			
	Social Services – Health and Safety			
	NNDR in-year testing			
	PTE - Health and Safety			
	Governance & Legal Services – Health and Safety			
Insufficient with major improvement needed	Direct Payments	2		Drafts Issued
	Education – Asset Management	1		
	Resources – Asset Management	1		
	Mileage and Subsistence	1		
	Econ Development - Asset Management	1	1	
	PTE - Asset Management	1	1	
	Street Scene (Waste Management) - Asset Management	1	1	
	Social Services - Asset Management	1	1	
	Waste Management – Health and Safety	1	1	
	Social Services – Commissioning & Procurement	1	1	
	Medium			
Effective	Counter-fraud arrangements - Willows			Draft Issued
	Major Projects Governance			
	Digital Services - Virtual Agent			
Effective with opportunity for improvement	Digital Services - Hybrid Mail			Draft Issued
	Ysgol Plasmawr – ICT Governance			
	Audit of Scrutiny Functions			
	Learning Disabilities			
	Kitchener Primary - Counter-fraud arrangements			
	Follow Up - Contracts in Waste Management			
	Follow Up - Income Procedures in School Kitchens			

Audit Opinion	Audit Area	High Risk Recommendations		Status (If not Final)	
		Proposed	Agreed		
	Follow Up - Pontprennau Primary	2			
	Follow Up - St Peters R.C Primary				
	Programme and Project Governance				
	Income collection in schools – Cardiff High				
	Trolleys				
	Pentyrch Primary School				
	Lamby Way stores - follow up				
	Foster Carers				
Insufficient with major improvement needed	Domiciliary Care	1		Drafts Issued	
	Fleet Management (pool cars, grey fleet, etc.)	1			
	Music Service - follow up	2			
	Gatehouse	2			
	Follow up – Fly Tipping	2			
	IT inventory and asset management	1	1		
	Film Unit	1	1		
	Bereavement	2	2		
Unsatisfactory	British Council Grants	7		Draft Issued	
Grants / Accounts / External Bodies					
No assurance opinion given	Joint Committees - Prosiect Gwyrdd	Statement of Accounts Reviews / Certification / Support			
	Joint Committees - Port Health Authority				
	Joint Committees - Glamorgan Archives				
Effective with opportunity for improvement	Norwegian Church			Draft Issued	
	Education Improvement Grant 2019/20				
	City Deal 2019/20				
Other assignments					
No assurance opinion given	New system checks - compliance, internal controls and counter-fraud	COVID-19 Consultancy			
	Resilience, continuity & control- Consultancy				
	New system checks - compliance, internal controls and counter-fraud				
	Private Rental Sector Leasing Scheme	Consultation & Guidance			

Audit Opinion	Audit Area	High Risk Recommendations		Status (If not Final)
		Proposed	Agreed	
	Payroll CRSA	Control Risk Self Assessment		
	Creditor payments CRSA			
	Schools CRSA			

Appendix B

Audit Output Status 31.12.20	Audit Opinion
Completed	No Opinion Provided
Final Issued	Effective
Completed	No Opinion Provided
Draft Issued	Effective
Final Issued	Effective with opportunity for improvement
Draft Issued	Effective
Draft Issued	Effective with opportunity for improvement
Final Issued	Effective with opportunity for improvement
Draft Issued	Effective with opportunity for improvement
Draft Issued	Effective with opportunity for improvement
Final Issued	Effective
Final Issued	Effective with opportunity for improvement
Draft Issued	Effective with opportunity for improvement
Final Issued	Effective with opportunity for improvement
Final Issued	Effective
Draft Issued	Effective with opportunity for improvement
Final Issued	Effective with opportunity for improvement
Draft Issued	Effective with opportunity for improvement
Final Issued	Effective
Draft Issued	Effective with opportunity for improvement
Final Issued	Insufficient with major improvement needed
DEFERRED AUDIT	
Final Issued	Effective with opportunity for improvement
Draft Issued	Insufficient with major improvement needed
Draft Issued	Insufficient with major improvement needed
Draft Issued	Effective
Completed work in three thematic areas - work ongoing	No Opinion Provided
Final Issued	Insufficient with major improvement needed
Final Issued	Effective with opportunity for improvement
DEFERRED AUDIT	
DEFERRED AUDIT	
DEFERRED AUDIT	
Final Issued	Effective with opportunity for improvement
Final Issued	Effective with opportunity for improvement
Final Issued	Insufficient with major improvement needed
Final Issued	Effective with opportunity for improvement
Draft Issued	Effective with opportunity for improvement
DEFERRED AUDIT	
Draft Issued	Effective
DEFERRED AUDIT	
DEFERRED AUDIT	
Final Issued	Effective
DEFERRED AUDIT	
DEFERRED AUDIT	
DEFERRED AUDIT	
Completed	No Opinion Provided
Final Issued	Insufficient with major improvement needed
Final Issued	Insufficient with major improvement needed
Draft Issued	Insufficient with major improvement needed
Draft Issued	Insufficient with major improvement needed
DEFERRED AUDIT	
Draft Issued	Effective with opportunity for improvement
Final Issued	Effective with opportunity for improvement
Draft Issued	Effective with opportunity for improvement
DEFERRED AUDIT	
DEFERRED AUDIT	
DEFERRED AUDIT	

Economic Development	High	Medium	105	Commissioning and Procurement	15	Commissioning and Procurement compliance and control			Final Issued	Effective with opportunity for improvement
				Corporate Landlord	15	Effective and compliant corporate landlord practices.			Draft Issued	Effective with opportunity for improvement
	Medium			Disposal of Land & Buildings	15	Delivery of objectives with effective compliance and control.			Final Issued	Insufficient with major improvement needed
				Asset Management (carried forward from 2019/20)	0	Effective Directorate recording, monitoring, management and control of physical assets		Final Issued	Effective with opportunity for improvement	
				Health and Safety (carried forward from 2019/20)	0	Directorate health and safety compliance and risk management.		Final Issued	Effective	
				Major Projects Governance (carried forward from 2019/20)	0	Operation of appropriate arrangements for Major Projects		Final Issued	Insufficient with major improvement needed	
				Film Unit (carried forward from 2019/20)	0	Delivery of service objectives with effective compliance and control.		Final Issued	Effective with opportunity for improvement	
				Income and Debtors	10	Operation of appropriate arrangements to record, monitor and recover sundry debts.		Draft Issued		
				Performance Management	15	Performance management arrangements are effective, and operated consistently.		DEFERRED AUDIT		
				Information Management	15	Controlled, effective and compliant information management practices.		DEFERRED AUDIT		
				Pre-Contract Assurance	15	Relevant compliance and due diligence checks are undertaken		DEFERRED AUDIT		
				Commissioning and Procurement	15	Commissioning and Procurement compliance and control		Draft Issued	Effective with opportunity for improvement	
				Health and Safety	15	Directorate health and safety compliance and risk management.				
				Asset Management (carried forward from 2019/20)	0	Effective Directorate recording, monitoring, management and control of physical assets		Draft Issued	Insufficient with major improvement needed	
				British Council Grants	20	Effective compliance and control in administering British Council Grants.		Draft Issued	Unsatisfactory	
				Work in individual schools:						
				School 1 - Cardiff West						
				School 2 - Ysgol Bro Edern						
				School 3 - Llanedeyrn Primary						
				School 4 - Mary Immaculate						
				School 5 - Marlborough Primary						
				School 6 - St. Cuthbert's						
				School 7 - Cantonian						
				Schools CRSA	20	Effective compliance and control				
				Schools CRSA - Individual School Audits		Undertake CRSA exercise with all schools.				
				CRSA - School 1						
				CRSA - School 2	20	CRSA audits of systems of governance and internal control within individual schools				
				CRSA - School 3						
				CRSA - School 4						
				Catering in Opted out schools	15	Delivery of objectives, with effective compliance and control		DEFERRED AUDIT		
				FOLLOW UP - Pontprennau Primary	7	Follow up Audit		Draft Issued	Effective with opportunity for improvement	
				FOLLOW UP - St Peters R.C Primary	8	Follow up Audit		Draft Issued	Effective with opportunity for improvement	
				FOLLOW UP - Income Procedures in School Kitchens cf	0	Follow up Audit		Draft Issued	Effective with opportunity for improvement	
				School Admissions	15	Effective and well governed arrangements for school admissions				
				Counter-fraud arrangements - Willows High School (carried forward from 2019/20)	0	Counter-fraud assurance in school governance, transactional, procurement and recruitment activities		Draft Issued	Effective	
				Counter-fraud arrangements - Kitchener Primary School (carried forward from 2019/20)	0			Draft Issued	Effective with opportunity for improvement	
				Income collection in schools – Cardiff High	0	Effective compliance and control		Final Issued	Effective with opportunity for improvement	
				Cashless catering in secondary schools	10	Effective and controlled arrangements to receive, record and monitor income				
				ICT governance for schools - Ysgol Plasmawr (carried forward from 2019/20)	0	Effective ICT Governance mechanisms for compliance, business continuity and control		Draft Issued	Effective with opportunity for improvement	
				Pentyrch Primary School (carried forward from 2019/20)	0	Full audits of systems of governance and internal control		Final Issued	Effective with opportunity for improvement	
				Music Service - Follow up (carried forward from 2019/20)	0	Follow up Audit		Draft Issued	Insufficient with major improvement needed	
				Income and Debtors	10	Operation of appropriate arrangements to record, monitor and recover sundry debts.		Draft Issued	Effective	
				Performance Management	15	Performance management arrangements are effective, and operated consistently.		DEFERRED AUDIT		
				Information Management	15	Controlled, effective and compliant information management practices.		DEFERRED AUDIT		
				Pre-Contract Assurance	10	Relevant compliance and due diligence checks are undertaken		DEFERRED AUDIT		
				Commissioning and Procurement	10	Commissioning and Procurement compliance and control		Final Issued	Effective	
				Health and Safety (carried forward from 2019/20)	0	Directorate health and safety compliance and risk management.		Final Issued	Effective with opportunity for improvement	
				Commissioning and Procurement	10	Commissioning and Procurement compliance and control		Final Issued	Effective with opportunity for improvement	
				Income and Debtors	10	Operation of appropriate arrangements to record, monitor and recover sundry debts.				
				Performance Management	15	Performance management arrangements are effective, and operated consistently.		DEFERRED AUDIT		
				Information Management	15	Controlled, effective and compliant information management practices.		DEFERRED AUDIT		
				Pre-Contract Assurance	10	Relevant compliance and due diligence checks are undertaken		DEFERRED AUDIT		
				Resources Health and Safety	10	Directorate health and safety compliance and risk management.		Draft Issued	Effective with opportunity for improvement	
				Asset Management (carried forward from 2019/20)	0	Effective Directorate recording, monitoring, management and control of physical assets		Draft Issued	Insufficient with major improvement needed	
				Alarm Receiving Centre	10	Delivery of service orbjectives with effective compliance and control.		DEFERRED AUDIT		
				Resources (CTS)	10			DEFERRED AUDIT		
				Commissioning and Procurement	15	Commissioning and Procurement compliance and control		Final Issued	Insufficient with major improvement needed	
				Income and Debtors	15	Operation of appropriate arrangements to record, monitor and recover sundry debts.		Draft Issued	Effective with opportunity for improvement	
				Performance Management	15	Performance management arrangements are effective, and operated consistently.		DEFERRED AUDIT		
				Information Management	15	Controlled, effective and compliant information management practices.		DEFERRED AUDIT		
				Pre-Contract Assurance	15	Relevant compliance and due diligence checks are undertaken		DEFERRED AUDIT		
				Health and Safety (carried forward from 2019/20)	0	Directorate health and safety compliance and risk management.		Final Issued	Effective with opportunity for improvement	
				Direct Payments (carried forward from 2019/20)	0	Effective control, management and monitoring of Direct Payments		Draft Issued	Insufficient with major improvement needed	
				Asset Management (carried forward from 2019/20)	0	Effective Directorate recording, monitoring, management and control of physical assets		Final Issued	Insufficient with major improvement needed	
				Safeguarding - Follow up (carried forward from 2019/20)	0	Follow up Audit		Final Issued	Effective with opportunity for improvement	
				Early help scheme (impact of FPOC)	15	Delivery of service objective with effective compliance and control		DEFERRED AUDIT		
				Social Services - CHAD	15	Delivery of service objective with effective compliance and control				
				Mental Health Day Services	15	Delivery of service objective with effective compliance and control				
				Emergency Duty Team	15					
				Payments to Care Leavers	20					
				Children's Placements (including out of county)	20	Delivery of service objective with effective compliance and control				
				Residential Care	15					
				Workforce Development - TBC	15	Delivery of service objective with effective compliance and control				
				Learning Disabilities (carried forward from 2019/20)	0					
				Foster Carers (carried forward from 2019/20)	0	Delivery of service objective with effective compliance and control		Draft Issued	Effective with opportunity for improvement	
				Domiciliary Care (carried forward from 2019/20)	0			Draft Issued	Insufficient with major improvement needed	
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CIPFA Guidance to Internal Auditors and the Leadership Team and Audit Committee of Local Government Bodies

Head of Internal Audit Annual Opinions: Addressing the Risk of a Limitation of Scope

Introduction and rationale for the guidance

The impact of COVID-19 on all the public services has been considerable and for internal auditors it has raised the question of whether they will be able to undertake sufficient internal audit work to gain assurance during 2020/21. This is a key consideration to fulfil the requirement of the Public Sector Internal Audit Standards (PSIAS) for the head of internal audit (HIA) to issue an annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is in turn one of the sources of assurance that the public body relies on for its annual governance statement.

CIPFA recognises that local government bodies are struggling with considerable challenges and are having to make difficult decisions on how best to use their available staff and financial resources to meet critical needs. However, the professional and regulatory expectations on local government bodies to ensure that their internal audit arrangements conform with PSIAS have not changed. In this difficult situation, heads of internal audit will need to consider whether they can still issue the annual opinion or whether there will need to be a limitation of scope. A limitation of scope arises where the HIA is unable to draw on sufficient assurance to issue a complete annual opinion in accordance with the professional standards. This is an issue not only for the HIA but also for the leadership team and the audit committee who normally rely on that opinion. It may also have wider consequences for stakeholder assessments of the organisation.

While the limitation of scope will only be formally published in 2021 as part of the HIA's annual report, this guidance addresses the importance of early identification of the risk. It suggests mitigating actions to be taken now to avoid a limited scope where possible. If a limited scope does become necessary the guidance suggests possible wording to use in the report.

Status of the CIPFA guidance

This guidance is prepared by CIPFA for internal auditors working in or for local government in the UK. CIPFA is the Relevant Internal Audit Standard Setter (RIASS) for local government and works with the other UK RIASS¹ to mandate the PSIAS across the public sector. This guidance has been shared with the other RIASS and other members of the Internal Audit Standards Advisory Board including the Chartered Institute of Internal Auditors. Other sectors should look to the appropriate RIASS for guidance.

This guidance is a sector specific requirement for local government in the UK.

¹ The Relevant Internal Audit Standard Setters are: HM Treasury in respect of central government; the Scottish Government, the Department of Finance Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations; the Department of Health and Social Care in respect of the health sector in England (excluding foundation trusts); and the Chartered Institute of Public Finance and Accountancy in respect of local government across the UK.

Key requirements for local government bodies

The key requirements that heads of internal audit, leadership teams and audit committees should follow are set out below and are supported by additional explanation.

1. The HIA should plan to obtain sufficient assurance to support the annual opinion, taking into account both internal audit work and other sources of assurance. The reliance the HIA is placing on other sources of assurance should be disclosed in the overall opinion.
2. The HIA, leadership team and audit committee should review and discuss internal audit capacity where there are concerns and develop an action plan to mitigate the risk.
3. The HIA should make best use of their audit resources to maximise assurance.
4. Where the HIA considers that a limitation of scope is likely, the leadership team and audit committee should be advised promptly. The HIA should set out the likely consequences assessed and advise on remedial action to avoid a limitation of scope.
5. The HIA annual report should contain a clear explanation of any limitation of scope along with its causes and plans to address the situation going forward.
6. Where the HIA annual report and opinion contains a limitation of scope the authority should state this in the annual governance statement.

Detailed guidance to support implementation

Planning adequate assurance to support the annual opinion

Just as in more normal times the HIA should plan audit work to ensure that sufficient assurance will be available to support the annual opinion. This guidance will not go into details about risk-based audit planning but it emphasises that the professional requirements of PSIAS have not changed. It is likely that internal audit plans will be more fluid than normal as a result of the impact of the pandemic on the organisation. Head of internal audit should already have agreed new audit priorities to cover the new risks and changes from the impact of COVID-19 and that work will provide support for the annual opinion.

CIPFA recognises that the impact of COVID-19 and the capacity of the organisation to respond will vary as a result of a number of factors. Alongside direct internal audit work the HIA can also place reliance on other assurance providers, as set out in PSIAS 250. However it is important to recognise that the quality and availability of that other assurance may also be impacted adversely by the pandemic in some organisations. These factors are likely to be beyond the control of the HIA.

The factors impacting on the availability of assurance from internal audit and other sources of assurance include:

- the changing risks and impacts on the organisation itself
- whether key governance, risk management and internal control arrangements have deteriorated or been maintained
- changes to the resource base of internal audit, whether staff or budget related
- demands on internal audit for any advisory or non-audit support that will not directly support the HIA opinion
- operational disruptions that impact on the access of internal auditors to key staff, information or systems resulting in greater inefficiency and reduced outputs.

Where an organisation has adopted a comprehensive assurance framework then this may be used by the HIA to support the opinion, if those other sources of assurance are demonstrated to be robust. CIPFA's [Financial Management Code](#) (FM Code), which is applicable to all UK local government bodies, has

assurance as one of its key principles. Principle C of the FM Code clearly sets out the responsibility of the leadership team to establish and support appropriate arrangements:

The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.

The CIPFA [*Statement on the Role of the Head of Internal Audit*](#) also emphasises the responsibility of the leadership team for establishing wider frameworks of assurance and accountability.

Engagement between the leadership team, audit committee and HIA

The PSIAS require regular communication and engagement with the leadership team and audit committee on the development of the internal audit plan (PSIAS 2010 and 2020), its execution (PSIAS 2060) and the results of the audit engagements (PSIAS 2400). Each organisation will have its own agreed arrangements in place that will also take into account the terms of reference of the audit committee. The CIPFA [*Position Statement on Audit Committees in Local Authorities and Police*](#) (2018) sets out the responsibility for the audit committee to provide oversight of the independence, performance and professionalism of internal audit.

PSIAS 2030 requires the HIA to ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. If the HIA believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, the consequences must be brought to the attention of the leadership team and audit committee promptly. The CIPFA *Statement on the Role of the Head of Internal Audit* is clear that to perform their role effectively the HIA must lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively (Principle 4).

It is the responsibility of the organisation's leadership team to provide the HIA with the resources, expertise and systems necessary to perform their role effectively. Therefore it is essential for there to be meaningful engagement between the HIA, leadership team and audit committee. If the HIA has concerns about the quantity or calibre of internal audit resources available or there are other operational barriers to the delivery of the audit plan, they should assess the impact and likely consequences for the annual opinion and work with the leadership team and audit committee to find solutions to bridge the gap.

Making effective use of internal audit resources

When delivering the risk-based audit plan the HIA, supported by the leadership team, should make every effort to make best use of available internal audit resources over the remainder of the year. Possible actions could include:

- Streamlining audit processes to increase capacity.
- Narrowing the focus of audit scopes to examine only key risks
- Filling vacant audit posts, whether permanently, on a temporary basis or buying in audit expertise from an external provider.
- Exploring opportunities for internal secondments or other support for the audit team from non-internal audit staff who can nevertheless undertake some internal audit work.
- Evaluating any requests for advisory work and prioritising assurance work and advisory work that supports the annual opinion.
- Avoiding diversion of internal audit staff on to counter fraud work, or other non-core audit work, beyond that which is already accommodated within the plan.
- Increasing communication with client services to help ensure good co-operation from client services and avoid unnecessary delays in undertaking engagements.

Where the internal audit service provides services to partner bodies or on a commercial basis then agreements in place may provide little scope to amend resourcing in the short term.

Early identification of a limitation of scope

A limitation of scope arises where the HIA is unable to draw on sufficient assurance to issue a complete annual opinion. This should not be confused with an adverse opinion, which arises when sufficient work has been completed to enable the HIA to conclude that arrangements are not adequate and effective.

There are three possible scenarios for a limitation of scope:

1. The HIA has obtained insufficient assurance across each of the three aspects of the opinion: governance, risk management and internal control, and is therefore unable to issue an opinion.
2. The HIA has obtained insufficient assurance across one of the three aspects of the opinion. The limitation of scope will be restricted to that aspect only.
3. The HIA has obtained insufficient assurance across a significant subset of risk or area of operation that is material. An example might be where there were significant engagements set out in the plan that the audit service could not complete.

Where one of these situations is a risk then the HIA should take steps to inform the leadership team and audit committee of it as soon as possible and identify the underlying reasons. As part of the discussions with the leadership team and audit committee the HIA should identify the following:

- the extent of limitation of scope that is likely
- the reasons for limitation being necessary
- remedial steps planned or sought to minimise the extent of the limitation
- consequences of not addressing the risk that a limitation of scope will impact on the opinion.

Understanding the consequences of a limitation of scope

The primary consequence is that the leadership team and those charged with governance do not receive independent assurance that the framework of governance, risk management and control is adequate and effective. Without this assurance the organisation should consider the risk of significant control weaknesses, inefficiencies or poor performance remaining unidentified. In addition, opportunities for improvement may be lost. While internal audit can only offer reasonable assurance, not a 100% guarantee, the presence of that reasonable assurance is rightly valued.

Other consequences to consider:

- The organisation will need to highlight the limitation in its annual governance statement when referring to the HIA opinion
- Where the reason for the limitation also results in significant non-conformance with PSIAS during the year, then the HIA must report that as part of the quality assurance and improvement programme (QAIP) (PSIAS 1320). The results of the QAIP must be included in the annual report (PSIAS 2450). CIPFA's view is that if the limitation of scope is so significant that the HIA cannot provide an annual opinion that fulfils the PSIAS requirement then it is likely that there are other areas of non-conformance. Taken as a whole the internal audit service may no longer conform with PSIAS.
- The internal audit team is only able to state that they conform with the PSIAS if the results of the QAIP can demonstrate that. So if the last EQA concluded that the service conformed, but this year's QAIP demonstrates that the internal audit service does not, then it cannot claim to conform with PSIAS. Non-conformance should be considered for inclusion in the annual governance statement.

- Non-conformance with the PSIAS should also be taken into account when assessing the strength of assurance and the organisation's compliance with the CIPFA FM Code.
- If the internal audit service bids for or supplies its services to other organisations or partner bodies then losing conformance with the standards may have commercial consequences.
- The organisation's external auditor may take the limitation on the audit opinion or non-conformance with PSIAS into account when reviewing overall governance arrangements under the value for money or best value scope of the external audit. Different external audit arrangements apply across the UK and audit committees may wish to discuss this matter with their local auditors to understand the consequences.
- Internal audit will have a smaller than anticipated knowledge base to support future audit planning. The HIA will need to consider the implications for planning and resources as a consequence.
- Outside bodies who may have looked to the internal audit opinion as evidence for the organisation's sound governance may draw adverse inferences from the reported opinion.

Suggested wording of the limitation

In the annual report the HIA should detail the impact of COVID-19 on internal audit and the underlying causes of the limitation of scope. It should set out steps taken to mitigate or compensate, for example where additional reliance has been placed on other assurance providers.

The PSIAS do not specify the wording to use for the opinion section within the annual report but it should be clearly linked to the PSIAS requirement of *the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control*. The suggested wordings below apply when there is a need to accommodate a limitation of scope.

Type of limitation	Suggested wording
The HIA has obtained insufficient assurance across each of the three aspects of the opinion: governance, risk management and internal control, and is therefore unable to issue an opinion.	<p>The results of the work carried out by internal audit, taken together with other sources of assurance, are not sufficient to support an HIA annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is a requirement of PSIAS.</p> <p>The results of internal audit work concluded during the year and a summary of where it is possible to place reliance on the work of other assurance providers is presented in the annual report but this does not result in a comprehensive opinion.</p> <p>This limitation of scope has arisen because of... [reasons]</p> <p>To avoid similar limitations in future the HIA plans to... [actions].</p>
The HIA has obtained insufficient assurance across one of the three aspects of the opinion: governance, risk management and internal control. The limitation of scope will be restricted to that aspect only.	<p>The results of the work carried out by internal audit, taken together with other sources of assurance, are not sufficient to support an HIA annual opinion on the overall adequacy and effectiveness of the organisation's framework of <i>[specify one of governance, or risk management or control]</i>.</p> <p>The results of internal audit work concluded during the year and a summary of where it is possible to place reliance on the work of other assurance providers in respect of <i>[governance or risk management or control]</i> is presented in the annual report but this does not result in an opinion on this aspect.</p> <p>[The HIA can then present their opinion on the remaining two aspects required.]</p> <p>This limitation of scope has arisen because of... [reasons]</p> <p>To avoid similar limitations in future the HIA plans to... [actions].</p>
The HIA has obtained insufficient assurance across a significant subset of risk or area of operation that is material.	<p>The HIA opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is <i>[set out opinion]</i>.</p> <p>The HIA opinion however must exclude <i>[specify area excluded]</i> as there is insufficient assurance available for the HIA to offer reasonable assurance.</p> <p>This limitation of scope has arisen because of... [reasons]</p> <p>To avoid similar limitations in future the HIA plans to... [actions].</p>

Note it is possible for the HIA to separate out their annual opinions on governance, risk management and control if it is more meaningful to do so. This might arise for example where one aspect was significantly weaker than the other.

Ensuring there is a robust plan for future years

The HIA, leadership team and audit committee should work together to ensure that internal audit will be sustainable in 2021/22 and onwards. Specifically, they should ensure that the HIA can develop a risk-based plan that will support the annual opinion. Regular reporting and monitoring should take place to ensure that achievement of the plan is on track.

Where the organisation has identified weaknesses in any assurance arrangements beyond internal audit then the leadership team should develop appropriate improvement plans and the audit committee should monitor these regularly.

For further information please contact Diana Melville, Governance Advisor CIPFA

diana.melville@cipfa.org

**Approved by the Public Financial Management Board, CIPFA
19 November 2020**

Mae'r dudalen hon yn wag yn fwriadol

Recommendation Summary - ('Red' and 'Red / Amber' open recommendations)

Annex 1 - Appendix D

Directorate / Area	No. of Audits	No. of Red Recs	No. of Red/ Amber Recs	'open recommendations' - by audit assurance rating					'open recommendation' by status		
				No. of Recs Effective	No. of Recs Effective with Opportunity for Improvement	No. of Recs Insufficient with major improvement needed	No. of Recs Unsatisfactory	No. of Recs Limited	No. of Recs with Amended Action Date	No. of Recs where action date has passed	Current target date not yet due
City Operations	1		1					1	1	0	1
Corporate Governance	2		2		2				1	0	2
Economic Development	3	1	5		2	4			1	3	3
Economic Development (Waste Management)	6	2	15		2	8	7		2	6	11
Education & Lifelong Learning - Schools	11	6	43		13	17	19		48	40	9
Education & Lifelong Learning	5	3	12		4		11		8	12	3
External and Grants	1		5		5				4	0	5
Governance & Legal Services	2		3		3				1	2	1
Planning, Transport & Environment	5	3	20		5	18			1	0	23
Fundamental											
Other Assurance	3		5		5				2	0	5
Housing and Communities (People & Communities)	2		4		4				1	1	3
Resources	2		2		2				2	0	2
Resources (CTS)	1	1	3			4			4	0	4
Social Services	7	4	14		2	16			7	0	18
TOTALS	51	20	134	0	49	67	37	1	83	64	90

6 recommendations will be superseded by the recommendations raised in the Contracts in Waste Management follow-up once this is finalised.

19 recommendations will be superseded by the recommendations raised in the follow-on audit of St. Peter's once this is finalised.

7 recommendations will be superseded by the recommendations raised in the follow up audit of income procedures in school kitchens once this is finalised.

Mae'r dudalen hon yn wag yn fwiadol

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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



Resources Directorate Internal Audit Section

Investigation Team Progress Report

(as at 31 December 2020)



Resources & Activities



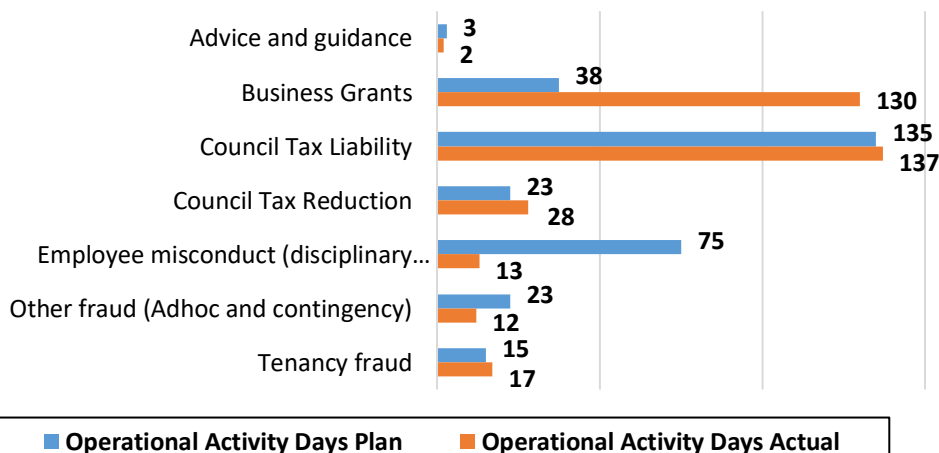
For the year as a whole there are four hundred and ninety four chargeable days available based on current resources (2.5 fte), indicatively split between strategic (80 days) and operational activities (414 days). Following a temporary increase in the hours of the Investigation Assistant of 6 hours per week, to further progress National Fraud Initiative work, their hours reverted back to normal (0.5 FTE) at the end of quarter three.

In the financial year to 30 December 2020, the team have applied 392 days as follows:

Strategic Activity Days



Operational Activity Days



Fraud Awareness

This year's International Fraud Awareness Week ran from the 15th to 21st November 2020. Once again, a successful week long campaign was launched with key messages to staff, that included:

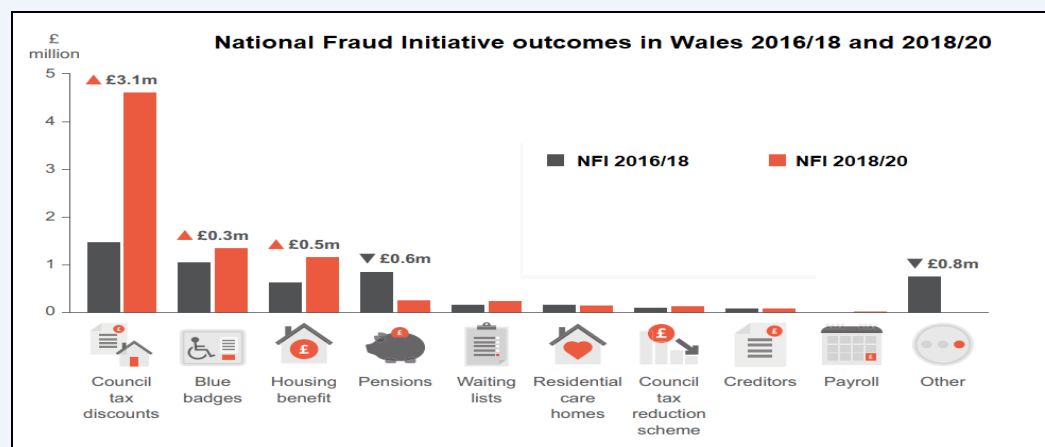
- The Council's mandatory 'Fraud Awareness' eLearning module
- Money Laundering
- Impersonation Fraud
- Fraud Risks
- How to seek help / advice

Mandatory Fraud Awareness training continues to be delivered, and as at the 31 December, in the region of four and a half thousand staff and school governors had completed the eLearning or attended a face-to-face session.

Biennial NFI Exercise

The National Fraud Initiative (NFI) is a UK-wide counter-fraud exercise. In Wales, the exercise is undertaken by the Auditor General for Wales under his statutory data-matching powers in Part 3A of the Public Audit (Wales) Act 2004. The NFI exercise is carried out every two years and matches data across organisations and systems to help public bodies identify fraud and overpayments.

Audit Wales have reported that since its commencement in 1996, NFI exercises have resulted in the detection and prevention of £42.9 million of fraud and overpayments in Wales. Across the UK, the cumulative total of NFI outcomes are now £1.93 billion. The report states that there are seven main areas which generated almost 98% of the fraud and overpayments identified these include; council tax discount, blue badges, housing benefit, pensions, waiting lists, residential care homes and council tax reduction schemes:



The Investigation Team manages the Council's participation in the NFI exercise, preparations for NFI 2020/22 have been completed. Data has been uploaded during quarter 3 and the output is expected early quarter 4.

Annual NFI Exercise

Data was uploaded during December and generated two thousand, two hundred and twenty matches that require further investigation. This compares to three thousand, two hundred and sixty two matches in 2019, which has resulted in revised council tax bills totalling more than £30,000.

The Anti-Money Laundering Policy

Cabinet approved the policy on the 17 December 2020, which followed Audit Committee consideration on 17 November 2020. The Investigation Team has produced an eLearning training module, which will complement the policy and will be made available and communicated to all relevant staff shortly.

A further policy has been drafted and is due to be presented to Audit Committee:

Monitoring Employees at Work Policy

The Monitoring Employees at Work Policy has been produced to provide guidance to managers of the Council who may carry out an investigation and are considering monitoring an employee. It will be rare for covert monitoring (surveillance) of employees to be justified, it should therefore be used in exceptional circumstances.

Audit Committee is considering this policy under agenda item 10.3.

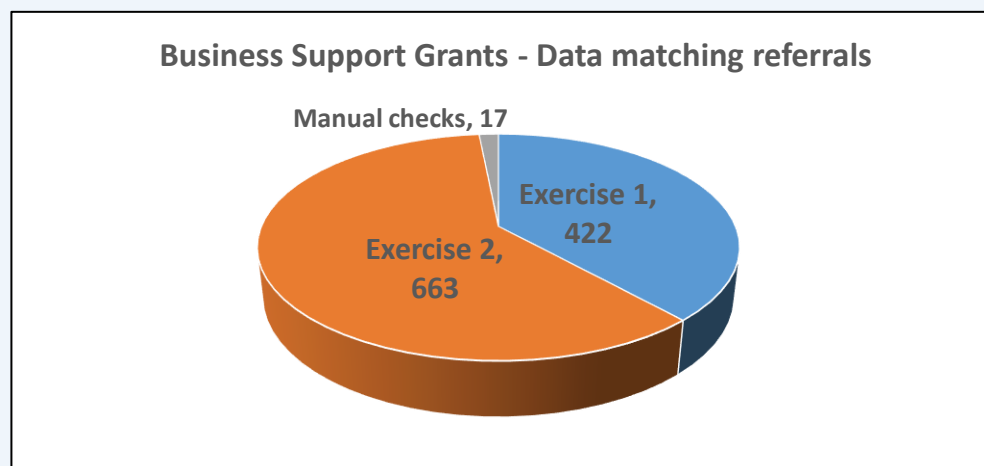
COVID-19 Support Grants

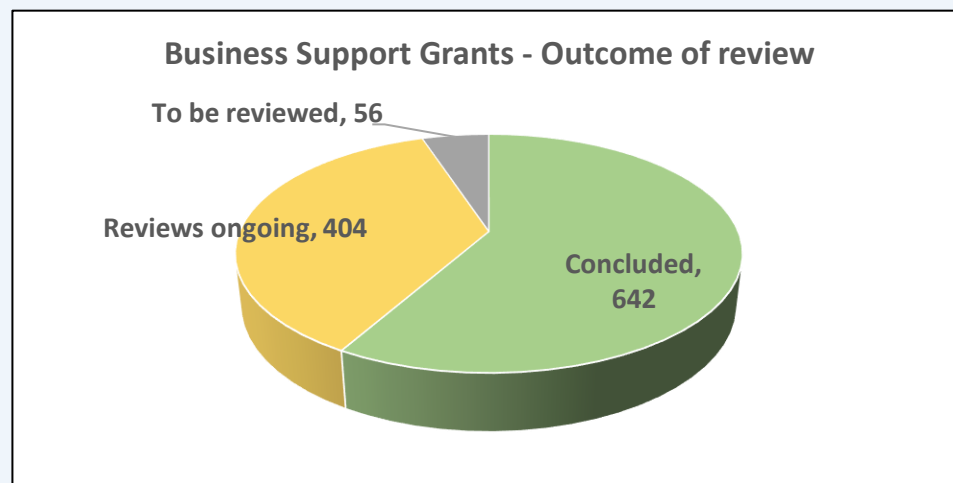
Internal Audit and the Investigation Team continue to provide support and guidance to colleagues in respect of the numerous COVID-19 funds and grants that have been administered. More than five thousand grant applications were processed with a total value exceeding £68million.

Extensive post payment verification has been undertaken in respect of the business support grants. The Investigation Team has worked with Audit Wales and the Cabinet Office to participate in, and develop a pilot data matching exercise and also a second data analysis exercise.

Additionally, Audit and Investigation Team staff have worked with colleagues to conduct manual checks of entitlement / eligibility, using information submitted on the payment file, and open source information to confirm businesses were trading.

Through data matching exercises, one thousand and eighty five matches were generated, identifying grants that required a review, a further 17 payments were identified for manual checks:

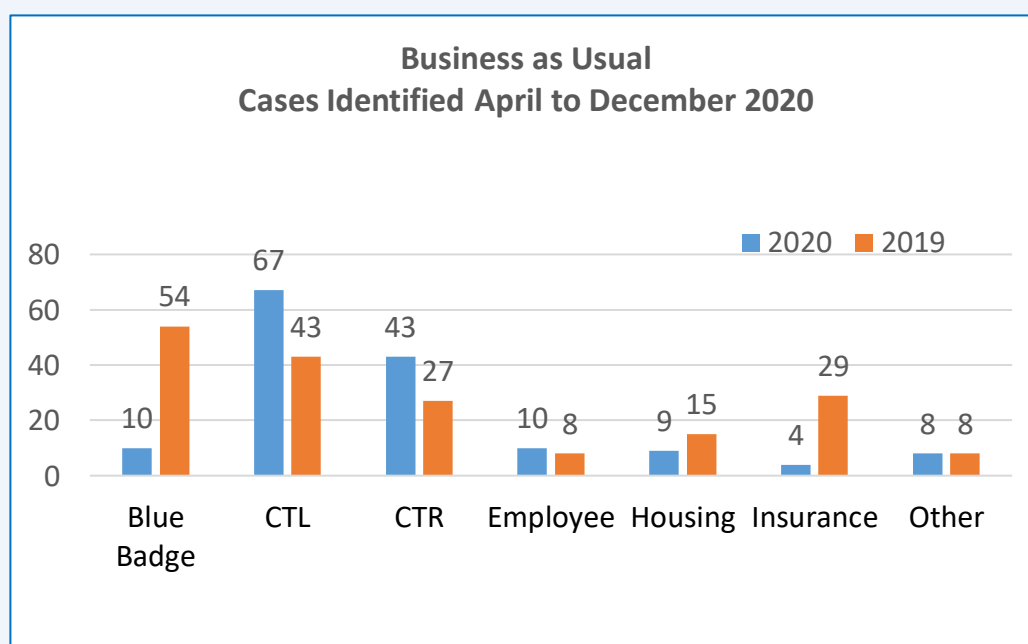




Included within the reviews ongoing, are many examples of out-of-date information on the business rates system, whilst this does not relate to fraud or error, officers are working through the list to update records. To date £495,000 has been identified as paid in error, and subject to recovery action. The review of fifty-six matches has not yet commenced.

'General' Cases Identified for Investigation

Excluding the stand alone Business Grants work, as detailed above, one hundred and fifty one cases have been identified for investigation so far this year, compared to one hundred and eighty four, for the same period last year:

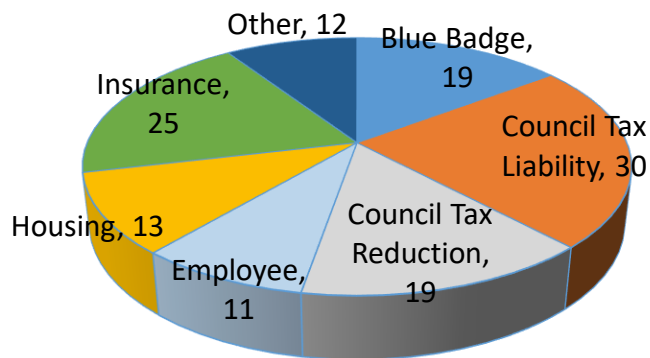


'General' Ongoing Cases

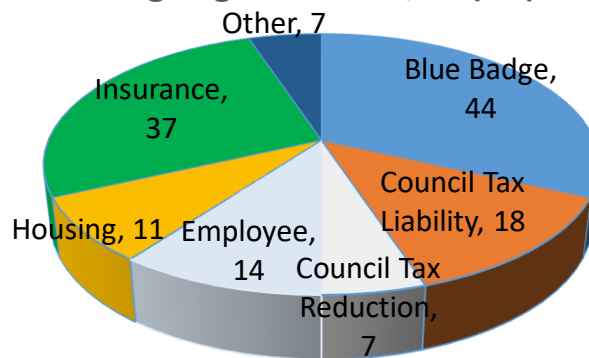
The cases designated as Other in 2020 related to CTAX exemptions, Phishing, Planning and Special Education Needs.

Excluding the stand alone Business Grants work, there are currently one hundred and twenty nine investigations ongoing, compared to one hundred and thirty eight, for the same period last year:

Ongoing Cases 2020/21 (Q3)



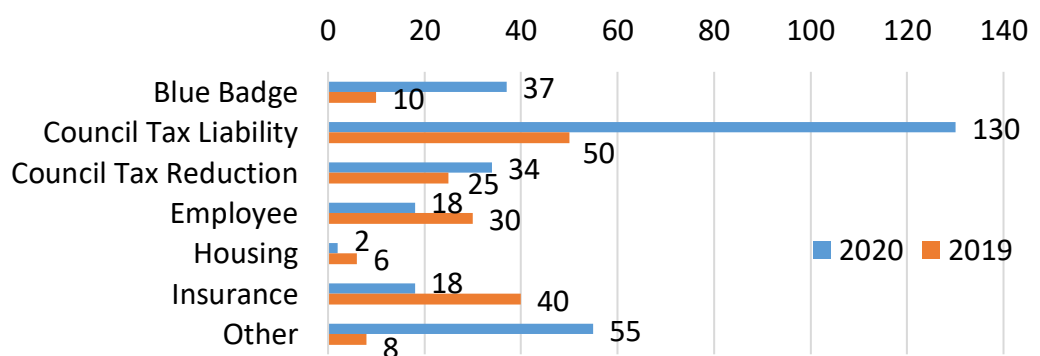
Ongoing cases 2019/20 (Q3)



**'General'
Concluded
Cases**

Excluding the stand alone Business Grants work, as detailed separately, two hundred and ninety four investigations have been concluded so far this year, compared to one hundred and sixty nine over the same period last year:

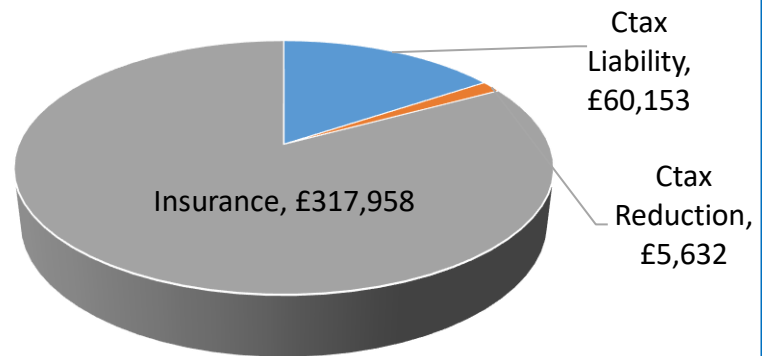
Investigations concluded April to December 2020



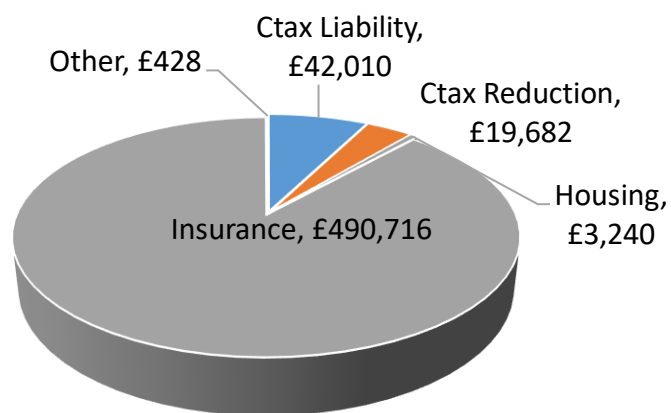
**Financial
Value**

Excluding the stand alone Business Grants work, £383,743 has been attributed to concluded cases in the 2020/21 year to date, compared to £556,076 for the same period last year:

Value of Closed Cases 2020/21 (Q3)



Value of Closed Cases 2019/20 (Q3)



* Court imposed Blue Badge fines and costs, and any notional values are excluded from the above.

- Insurance cases relate to contrived, exaggerated, fictitious misrepresented and staged claims, reported via the insurance section.
- Council Tax Liability investigations typically relate to cases of false information provided to receive a discount, or a failure to declare the occupation of a second adult, when in receipt of a single person discount.
- Council Tax Reduction investigations typically relate to those on low income, in receipt of a discount, failing to declare their income properly.

**Blue Badge
Update**



On-street enforcement activity, overseen by Planning, Transport and Environment, resumed during quarter 3 and the Magistrates Court has continued to work through the backlog of cases.

Between April and the 30 December 2020 twenty nine sanctions were administered, compared to 10 for the same period last year:

AUDIT COMMITTEE: 26 JANUARY 2021

DRAFT INTERNAL AUDIT CHARTER AND DRAFT AUDIT PLAN 2021/22

REPORT OF THE AUDIT MANAGER

AGENDA ITEM: 10.2

Reason for the Report

1. The Terms of Reference for the Audit Committee sets out its responsibility:
 - To approve the Internal Audit Charter.
 - To approve the risk-based Internal Audit Plan, containing internal audit's resource requirements, the approach to using other sources of assurances and any work required to place reliance upon those other sources.
2. The Audit Committee has a responsibility to review its Terms of Reference annually.
3. This report has been prepared to provide Audit Committee Members with the Draft Internal Audit Charter for 2021/22 and appendices, including a draft Committee Terms of Reference. The report also provides the Draft Summary Audit Plan for 2021/22.

Background

4. At the commencement of each financial year, consideration is given to updating key documents which form part of the Internal Audit function. The draft documents are submitted to Audit Committee at the January meeting to enable members of the Committee to consider and feed in comments which will support the development of final documents to be approved on 23 March 2021 in respect of the new financial year.
5. Under the PSIAS (standard 1110 – organisational independence), the Audit Committee is required to approve the Internal Audit Charter and the risk based Internal Audit Plan. These documents are attached for 2021/22 in draft form, with the audit plan presented at a summary level of detail prior to the detailed review and population of audit engagements in quarter four 2020/21. Accompanying the Charter is a draft version of the proposed Committee Terms of Reference for 2021/22 for consideration at this early stage in development.
6. Members of the Audit Committee will be aware that from 1 April 2021, the Audit Committee will be renamed a Governance and Audit Committee, and its role will be expanded in accordance with the Local Government and Elections (Wales) Bill, scheduled for Royal Assent in January 2021. At this stage, as the Committee considers it's future remit, its existing terms of reference has been updated from a technical perspective by officers in Audit and Democratic Services to incorporate these additional requirements, for Member consideration and comment.

Issues

Audit Charter

7. The Draft Internal Audit Charter set out in **Annex 1** is a formal document which establishes the Internal Audit Service's position within the organisation, the Audit Manager's functional reporting relationship with the Audit Committee, authorises access to records, personnel, physical properties relevant to the performance of engagements, and defines the scope of internal audit activities. Audit Committee formally approved the Internal Audit Charter 2020/21 on 28 July 2020, following a process of consultation and agreement between 23 March and 3 April 2020.
8. The Draft Audit Charter 2020/21 has been reviewed by the Audit Manager and has been subject to minor update. Contained within the Draft Internal Audit Charter are six appendices, which detail the parameters within which Internal Audit and the Audit Committee operate.
9. Appendix A sets out the Code of Ethics for Internal Auditors and is focussed on the four key principles of Integrity, Objectivity, Confidentiality and Competence. This appendix is formally used in the quality assurance process as part of each audit, and as part of ongoing performance reviews.
10. Appendix B sets out the Core Principles which taken as a whole, articulate internal audit effectiveness. These Core Principles underpin the Mission of the Internal Audit service *'To enhance and protect organisational value by providing risk based and objective assurance, advice and insight'* in recognition of best practice from the IIA.
11. Appendix C sets out the staffing resources allocated to the Internal Audit function as well as outlining the reporting lines between the Audit Manager, the Section 151 Officer and the Audit Committee. This section also outlines the skill base of the team and the commitment to developing staff further through Audit or Investigation qualifications.
12. Appendix D suggests the Terms of Reference for the Governance and Audit Committee 2021/22, which has been prepared in recognition of the best practice CIPFA guidance as published in 2018 and incorporating the provisions of the Local Government and Elections (Wales) Bill. The following responsibilities have been added in red in view of new responsibilities from the Bill, for the Committee to consider.
 - To review the Council's draft annual Self-Assessment Report, and make any appropriate recommendations for changes.
 - To review the Council's draft response to the Panel Performance Assessment Report, and make any appropriate recommendations for changes.
 - To review the Council's draft response to any Auditor General's recommendations arising from a 'special inspection' in respect of the Council's performance requirements, and to make any appropriate recommendations for changes.
 - To review and assess the authority's ability to handle complaints effectively, and make any associated reports and recommendations.
13. In addition to the above, a further proposed sentence has been added (in red) to recognise the role of the Committee to seek assurances on the arrangements for the management of the authority's financial affairs. This is an ongoing area of responsibility,

and whilst it is not explicitly stated in the model CIPFA terms of reference, it reflects a responsibility included in the Local Government (Wales) Measure 2011, upon which guidance was provided by the CIPFA Lead Governance Advisor in the All Wales Audit Committee Chair's Network on 30 November 2020.

14. The Terms of Reference will require further consideration and consultation to ensure there is an effective coordination of roles and responsibilities with wider Committees of Council, with Monitoring Officer review. Agreement of the draft revised Terms of Reference by Committee will be requested on 23 March 2021, for the forthcoming municipal year, ahead of seeking approval from Council in the Annual meeting, scheduled for May 2021.
15. Appendix E sets out the Quality Assurance and Improvement Programme (standard 1300), which is designed to enable an evaluation of the Internal Audit section's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and is used to identify and deliver opportunities for improvement. The QAIP is built around a performance management approach which involves 'setting expectations', 'reviewing performance', and 'reporting performance' at individual auditor and team levels.
16. Appendix F contains the Audit Protocol, which represents an outline of the audit process from planning to reporting. The Audit Protocol was incorporated into the Charter for the first time in the 2020/21 financial year.

Audit Plan, 2021/22

17. Contained within both the Draft Internal Audit Charter and the Terms of Reference are sections outlining the submission of a risk based audit plan to be approved by Committee. **Annex 2** contains the preliminary draft plan for 2021/22, which will be developed into further detail over the financial quarter to be submitted for approval by Audit Committee on 23 March 2021.
18. The draft Audit Plan for 2021/22 is based on a team of 9.53 FTE officers overseen by the Audit Manager. This represents the same substantive post resources as in 2020/21, but allows for the resources of a CIPFA trainee for the first financial quarter only, at which time the current cohort of trainees who work in Council finance teams on a rotational basis are due to sit their final exams. There is a possibility of further CIPFA trainee support during 2021/22, but for prudence in planning no expectation has been built into the Plan. A Senior Auditor has requested to continue to work reduced hours from 37 to 32 hours per week for a third year, which has been agreed by the Audit Manager to support their work life balance.
19. The number of available operational audit days has decreased (from 1,912 to 1649) firstly due to a lower level of anticipated CIPFA trainee resource, as referred to above. In addition, a more prudent provision has been allocated for general sickness, and a provision has been made for COVID related absences, regarding use of the special leave scheme for caring responsibilities and for other absences relating to the pandemic. Audit Committee will be aware of the ongoing impact of the pandemic on the capacity of Auditors, which is expected to continue to affect the operational audit days in the year ahead.

20. The Investigation Team Plan is based on 2.5 FTEs, with a continuation of staff resource from 2020/21. Planning adjustments have been made in respect of sickness and Covid related absences on a consistent basis with those applied for the Audit Team.
21. Members will note that the Audit Manager has not been included in the head count of FTE for either team, as this work focusses on strategy, and overseeing the quality, delivery and output across both audit and investigations teams.
22. The draft Audit Plan has been prepared at a summary-level following consideration of a risk based methodology. The detailed components of the audit planning approach take place throughout quarter four, and will result in the full risk-based audit plan for 2021/22. Audit planning to date has accounted for the audits which were formally deferred from the Audit Plan 2020/2021 in November 2020, following an in-year assessment of risk and audit coverage. It is not intended to automatically roll forward undelivered audits, as a range of risk-based factors are considered as part of audit planning processes. The approach is designed to be risk based and co-ordinated in application of an assurance mapping exercise based on the IIAs “three lines model”.
23. The audit planning process involves the application of three basic review principles as follows:
- (a) **Informed Inherent Risk** - The starting point is the development of an inherent audit need / risk score as a product of the nature of the potential audit area, and the results of Senior Management Assurance Statement (SMAS) responses from Directors.
- Audit category - There are three broad audit categories which are audited with an inherent frequency in the following priority order from highest to lowest (1) Fundamental systems, (2) Governance functions (e.g. Health and Safety, Performance Management etc.) and (3) Operational audits, such as a school or standard system audit.
 - SMAS submissions - The Directorate self-assessments of maturity in a number of core areas of governance, risk management and internal control are considered and used to moderate the inherent prioritisation of audit engagements.
- (b) **Coordination and Reliance** - After considering the inherent need for an audit, further sources of assurance and indicators of risk are accounted for, such as:
- Information on risk registers
 - Planned and programmed projects, scrutiny and management activities
 - Existing levels of Internal Audit assurance, and
 - Planned and actual work and findings from wider audit, regulatory and consultancy activities.
- (c) **Extensive and Appropriate Audit Coverage** - In consideration of the above two stages, audits will be programmed and typically delivered through a combination of Control Risk Self-Assessment (CRSA), thematic and full audit engagements. The above two stages are in the process of development through relationship management and audit link officer mechanisms in directorates.
24. Section 2010 of the PSIAS specifies that the risk-based plan takes into account the organisation’s assurance framework and that the work of Internal Audit addresses both local and national issues. This is achieved through the approach as summarised above,

with the assurance available from both within and outside the Council assessed to enable informed decisions regarding the audits to be undertaken in 2021/22. Audit Committee will be aware that the Audit Plan is responsive to emerging risks and issues as they arise during the year, and these changes are brought to the Audit Committee as they arise.

25. The “three lines model” is an important part of the Council’s internal control environment. Senior managers, as the first line of defence, have a joint and individual responsibility for risk management, governance and the control environment within their directorate; they use their SMAS as a primary disclosure of their delivery of the management controls and report and disclose on the management of their risks and performance. The second line of defence consists of the arrangements in place to monitor and support internal governance through functions which develop, embed and monitor policies and strategies, such as Risk Management, ICT, Information Governance and Health and Safety functions.
26. As the third line of defence, Internal Audit accounts for the assurance of the first two lines of defence together with external audit and regulatory sources of assurance and indicators of risk (e.g. Audit Wales and Estyn work), in developing a risk-based audit plan. The Summary Plan, as set out in Annex 2, will be fully developed during quarter 4 and supported by an assurance map to recognise and account for the respective internal and external sources of assurance and allocate audit resources to enable the Audit Manager to provide a comprehensive opinion on the overall Council control environment.
27. At this incremental stage of audit plan development, the proposed areas for thematic review in 2021/22 are:
 - (a) Performance Management
 - (b) Pre-contract Assurance
28. Members will note that these thematic audit areas were included in the Audit Plan 2020/21, but were deferred due to the capacity and resource difficulties associated with the pandemic. For the current year, assurances in these areas have been sought from a corporate performance management audit undertaken in the prior year, and from other contract audit work. It is intended for these audits to be undertaken as thematic reviews across all directorates during 2021/22.
29. The other thematic audit which was deferred in 2020/21 was information management. It is not intended at this stage to deliver that audit via a thematic approach during 2021/22, but instead, time has been allocated for a corporate audit of information governance, in which there will be corporate and directorate level testing.
30. It is proposed to undertake fundamental audits in 2021/22 in relation to creditor payments, payroll and HR, NNDR, treasury management, main accounting, income and debtors, asset management and housing rents. However, if there are any major system or operational changes during the year in systems that are not included in the plan, an audit of that system will be added to the Audit Plan for 2021/22 (and this change reported to a meeting of this Committee).

Legal Implications

31. The Local Government and Elections (Wales) Bill, Part 6, introduces new performance and governance requirements for local authorities and gives additional responsibilities to audit committees in these matters. These new statutory provisions are not yet in force, but are expected to come into effect in April 2021.
32. The revised draft terms of reference for the Audit Committee (retitled as the 'Governance and Audit committee' under the new legislation), Appendix D of the draft Audit Charter, incorporate the committee's additional performance and governance responsibilities, and subject to any agreed changes, will be submitted to Council for approval at the Annual meeting of Council in May 2021.

Financial Implications

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

Recommendations

34. To consider and provide comments on the Draft Internal Audit Charter and the accompanying appendices including the draft terms of reference for the Governance and Audit Committee for 2021/22, at the current stage of development.
35. To consider and provide comments on the direction of the draft 2021/22 Internal Audit Plan.

CHRIS PYKE
AUDIT MANAGER

Annex 1: Draft Internal Audit Charter 2021/22

Annex 2: Draft Summary Audit Plan 2021/22

Cardiff Council

DRAFT INTERNAL AUDIT CHARTER 2021/22

Mission Statement

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



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

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INTERNAL AUDIT CHARTER

Definition, Objective and Scope of Internal Audit

1. Internal Audit is an independent and objective assurance and consulting activity that is guided by its mission to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.
2. It assists Cardiff Council in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's full control environment in respect of risk management, control and governance processes.

Role and Professionalism

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

Authority

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

Organisation

7. The Audit Manager will report functionally to the Governance and Audit Committee and administratively to the Head of Finance (Deputy Section 151 Officer).
8. The Governance and Audit Committee will receive and consider reports regarding the performance evaluation of the Internal Audit function.

9. The Governance and Audit Committee will approve the internal Audit Charter, the risk based internal audit plan and receive communications from the Audit Manager on the internal audit activity's performance relative to its plan and other matters. The Audit Manager is delegated the authority to make in-year changes to the internal audit plan and approve audit engagements of no more than 10 planned audit days without seeking approval from the Governance and Audit Committee. The Audit Manager will use the audit resources available to deliver the audit plan and buy-in additional resources as required.
10. Management will notify the Audit Manager immediately, in accordance with the Council's Financial Procedure Rules and related policies, of suspected breach, theft or loss of Council assets, and any suspected or detected fraud, corruption or impropriety.
11. The resources allocated to the Internal Audit activity are outlined in Appendix C, in conjunction with the reporting arrangements.

Independence and Objectivity

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

Responsibility

18. The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management and internal control processes in relation to the organisation's defined goals and objectives. Internal control objectives considered by internal audit include:
 - Consistency of operations or programmes with established objectives and goals and effective performance

- Effectiveness and efficiency of operations and employment of resources
- Compliance with significant policies, plans, procedures, laws and regulations
- Reliability and integrity of management and financial information processes including the means to identify, measure, classify and report such information
- Safeguarding of assets.

19. Internal Audit is responsible for evaluating all processes of the Council, including governance processes and risk management processes. It also assists the Governance and Audit Committee in evaluating the quality of performance of external auditors and maintains a proper degree of coordination with external audit.
20. Internal audit may perform consulting and advisory services related to governance, risk management and control, as appropriate for the Council. It may also evaluate specific operations at the request of Governance and Audit Committee or management as appropriate.
21. When notified of suspected fraud, corruption or impropriety, the Audit Manager will take appropriate actions in line with the Council's Fraud, Bribery and Corruption Policy for the matter to be properly investigated.
22. Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Governance and Audit Committee and senior management including fraud risks, governance issues and other matters needed or required.
23. The Governance and Audit Committee has a Terms of Reference, which defines the area in which it operates, and this is set out in Appendix D. The Terms of Reference are reviewed on a periodic basis.

Internal Audit Plan

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

Reporting and Monitoring

26. An audit output will be prepared and issued by the Audit Manager following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will be communicated to the Governance and Audit Committee in accordance with the Audit Protocol, and on a basis which reflects the significance of findings.

27. The audit output may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit output or provided thereafter by management of the audited area will include a timetable for anticipate completion of action to be taken and an explanation for any corrective action that will not be implemented.
28. The internal audit activity will be responsible for appropriate follow up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

Quality Assurance and Improvement Programme - QAIP

29. The internal audit activity will maintain a Quality Assurance and Improvement Programme that covers all aspects of the internal audit activity. The programme will include an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit standards, encompassing all mandatory elements of the IPPF, including an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency of the internal audit activity and identifies opportunities for improvement.
30. The Audit Manager is responsible upholding the Audit Charter, for ongoing assurance to senior management and Governance and Audit Committee on conformance with the Code of Ethics and the Standards, and for reporting audit performance, critical findings and trends in respect of the audit plan.
31. The Audit Manager will communicate to senior management and Governance and Audit Committee on the internal audit activity's quality assurance and improvement programme, comprising the results of:
 - ongoing internal quality assurance reviews,
 - annual assessments against the Local Government Application Note,
 - external assessments conducted at least every five years.
32. Action taken to ensure that the Quality Assurance and Improvement Programme is effective is set out in Appendix E. It is supplemented by the Audit Protocol, which provides an outline of the audit process from planning to reporting, as contained in Appendix F.

CODE OF ETHICS

Public Sector Requirement

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

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

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

- 1. Principles that are relevant to the profession and practice of Internal Auditing;
- and
- 2. Rules of Conduct that describe behaviour norms expected of Internal Auditors.

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

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

Applicability and Enforcement

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

Public Sector Interpretation

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

1. Integrity

Principle

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

Rules of Conduct

Internal Auditors:

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

2. Objectivity

Principle

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

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

Rules of Conduct

Internal Auditors:

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

3. Confidentiality

Principle

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

Rules of Conduct

Internal Auditors:

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

4. Competency

Principle

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

Rules of Conduct

Internal Auditors:

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

CORE PRINCIPLES

FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

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

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

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

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

AUDIT ACTIVITY & RESOURCES

Resources

1. **Audit Manager** -1 FTE - responsible for leading and managing the audit and investigation teams in delivering their roles, as set out within the Public Sector Internal Audit Standards (PSIAS), and other professional Codes of Practice.
2. **Audit Team** - 9.53 FTE - who undertake system based audits, financial audits, provide advice and guidance to clients on a wide range of matters, and undertake work around efficiency and value for money.
3. **Investigation Team** - 2.5 FTE - dedicated to the prevention, detection and investigation of suspected fraud or financial impropriety.
4. All audit staff are required to maintain the highest standards of professional practice, and comply with professional Codes of Practice. The Public Sector Internal Audit Standards are followed in all aspects of internal audit work undertaken.
5. For the purpose of the Public Sector Internal Audit Standards, the Governance and Audit Committee acts as the “Board”, members of the Senior Management Team represent ‘Senior Management’, and the Corporate Director of Resources & Section 151 Officer is the Senior Manager overseeing the Internal Audit Function. The Audit Manager is the Chief Audit Executive.
6. All auditors and investigators are suitably qualified and collectively offer a wide range of skills, experience and knowledge.
 - In the Audit team, there are two qualified Accountants, one Chartered Internal Auditor, one Certified Internal Auditor and most other auditors are qualified Accounting Technicians. One member of the team is studying for a Certified Internal Auditor (CIA) qualification, another is a part-qualified accountant, and a further member is studying for a Certified Information Systems Auditor (CISA) qualification.
 - The Investigation team is led by a Group Auditor who has the CIPFA Certificate in Investigative Practice, and investigators are professionally trained. Two members are professionally qualified counter fraud officer's, accredited with Portsmouth University, with the third team member being a former police officer with many years of professional expertise.
7. Ongoing development and training of auditors is fundamental to the delivery of an effective and professional audit and Investigation services. The Council's Personal Review Scheme is fully adopted and the teams assess themselves against the skills required for their respective roles. This assists in the identification of team and individual development and training opportunities within a robust performance management framework.

GOVERNANCE AND AUDIT COMMITTEE**TERMS OF REFERENCE**Statement of Purpose

- Our **Governance and 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 **Governance and Audit Committee** is to provide independent assurance to the members of Cardiff Council, and its wider citizens and stakeholders, on the adequacy of the risk management framework, ~~and~~ the internal control environment, **and the performance assessment of the Council**. It provides an independent review of Cardiff Council's governance, **performance assessment**, 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, **Performance**, 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 Council's draft annual Self-Assessment Report, and make any appropriate recommendations for changes.
- To review the Council's draft response to the Panel Performance Assessment Report, and make any appropriate recommendations for changes.
- To review the Council's draft response to any Auditor General's recommendations arising from a 'special inspection' in respect of the Council's performance requirements, and to make any appropriate recommendations for changes.
- To review and assess the authority's ability to handle complaints effectively, and make any associated reports and recommendations.
- 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 **Governance and 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 on the arrangements for the management of the authority's financial affairs.**
- 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 **Governance and Audit Committee** e.g. Treasury Management.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

A Quality Assurance and Improvement Programme (standard 1300) is designed to enable an evaluation of the Internal Audit section's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics.

The programme also assesses the efficiency and effectiveness of the internal audit activity and is used to identify and deliver opportunities for improvement.

Key principles of the QAIP:

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

To support the delivery of an efficient and effective service:

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

QAIP - OPERATIONAL APPROACH

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

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

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

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

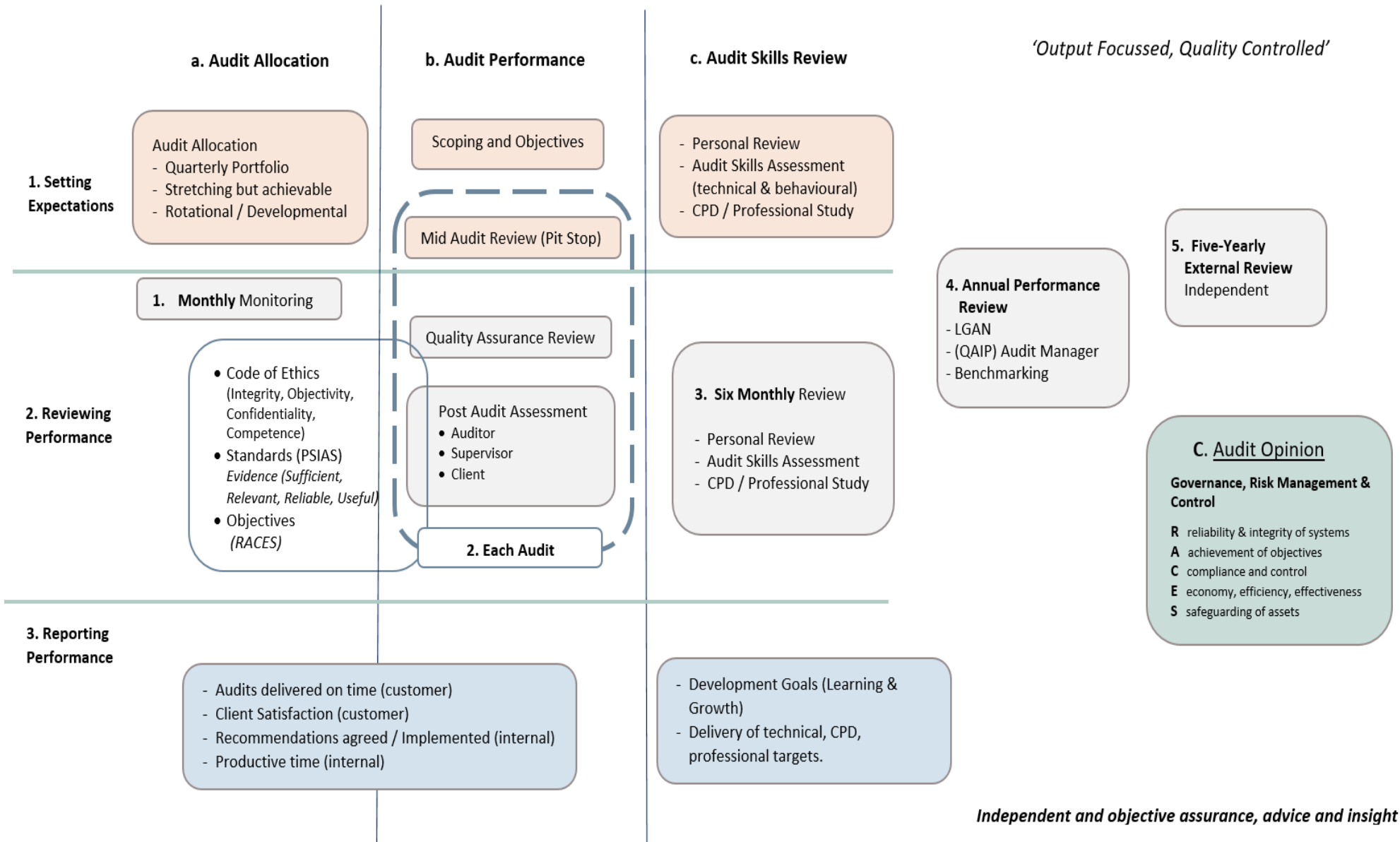
- ✓ **Monitoring** - Each auditor attends a monthly monitoring meeting, through which the delivery of their 'Audit Allocation' is reviewed, issues are identified and addressed.
- ✓ **Quality Assurance Review** - Each audit is subject to a quality assurance review by a member of the audit management team,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

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

- Core performance measures relate to the audits delivered on time, client satisfaction, recommendations agreed / implemented, productivity and the delivery of personal objectives.
- Performance information is regularly monitored by the Audit Manager and is considered by the Finance Management Team and the Governance and 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 Governance and Audit Committee. An external assessment of conformance with the PSIAS is completed and reported at least every five years.

QAIP – OPERATIONAL APPROACH (DIAGRAM)

Tudalen 180



The Audit Protocol provides an outline of the audit process from planning to reporting.

PLANNING

The Audit Plan sets the proposed audit coverage, based on a risk assessment. The plan is approved by the Governance and Audit Committee and is discussed with Directors.

Auditors are allocated audit engagements from the plan. They research the audit area and meet the client to understand relevant strategies, objectives and risks. A risk assessment informs the audit objectives and approach.

Control Stage 1 (Audit Planning) – The risk assessment is reviewed by a member of the audit management team, and used to develop the audit terms of reference (TOR)

The TOR is issued: it sets out the area/s under review, the objectives, approach and records required. The TOR is sent to the relevant management (Line Management, OM (and Director, where appropriate)). The audit fieldwork will commence as set out in the TOR.

NB – For consultancy services, the guidance / support is planned with management directly, with the objectives documented for significant engagements. There will be regular dialogue with the reviewing manager throughout the audit, but only formal control stage 4 will apply (Post Audit Review).

FIELDWORK

Normally pre-arranged to help minimise disruption. Any significant issues will be raised as soon as they are identified. The main findings will be discussed at the end of the visit (where applicable) or shortly afterwards.

Control Stage 2 (Audit Fieldwork) – An audit ‘pit-stop’ is held with the senior team member mid-way through the audit, as a quality assurance and progress check. A full quality assurance review is completed once fieldwork is completed and the draft audit opinion, output and recommendations are prepared.

Once fieldwork has been completed, and a review undertaken, a decision will be made whether to issue a formal Report or an Action Plan, depending on the overall ‘Audit Opinion’.

REPORTING

The audit output prepared depends on the audit opinion:

- o An Action Plan – For *Effective*, or *Effective with Opportunity for Improvement* audit opinions (where recommendations are raised);
- o A Report and Action Plan – for *Insufficient with Major Improvement Needed*, or *Unsatisfactory* audit opinions.

Control Stage 3 (Audit Reporting) – Where the audit opinion is *Insufficient with Major Improvement Needed*, or *Unsatisfactory*, the draft report will be considered by the Audit Management Team prior to being issued.

Draft Reports / Action Plans are discussed with Client Manager and comments are considered in any final Report / Action Plan. Management responses to audit recommendations are recorded in the Action Plan.

Final report or Action Plan is issued to the Director, OM/Line Manager and an opportunity to discuss the report, or provide comments is provided. Any recommendations not agreed are referred to the Director for consideration.

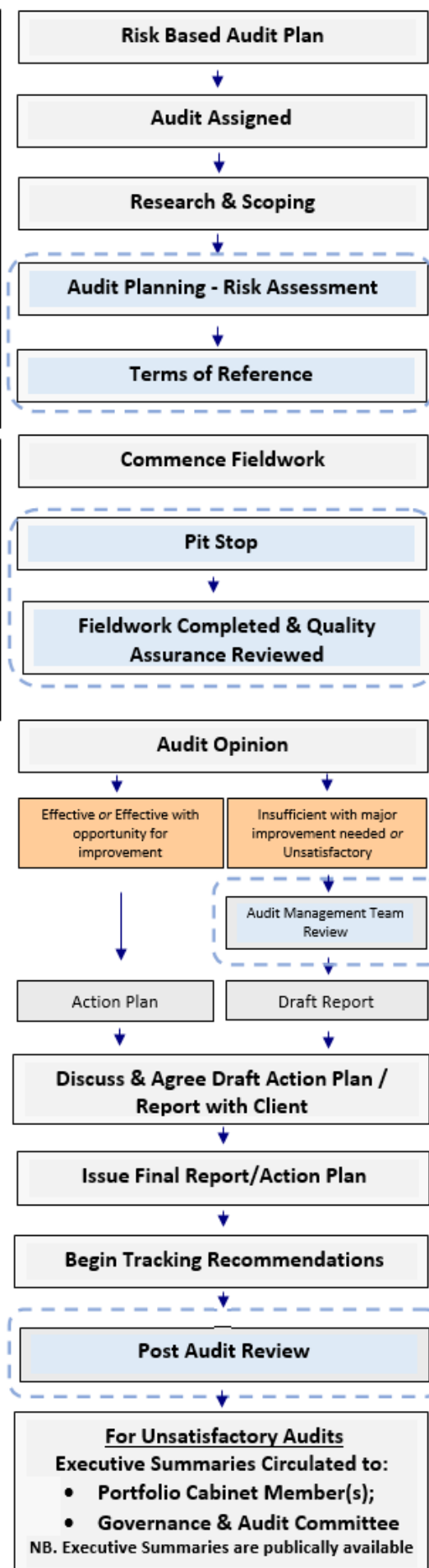
Control Stage 4 (Post Audit Review) – Upon conclusion of each audit, the auditor, and a senior team member review the auditor’s performance. A client satisfaction survey is used to identify the audit delivery and value from the client’s perspective. Development needs are progressed.

The Audit Manager reports the summary findings of *Insufficient* and *Unsatisfactory* Reports to the Chief Executive and the Governance and Audit Committee. For all *Unsatisfactory* Reports, an Executive Summary is prepared, discussed with the Chief Executive and Section 151 Officer, reported to the relevant Portfolio Cabinet Member(s) and the Governance and Audit Committee.

RESPONSE

Recommendations are added to the ‘Recommendation Tracker’ in SharePoint, through which management provide progress updates and submit evidence of delivering agreed actions. All red and red/amber rated recommendations require evidence of completion in order to be closed. The recommendation tracker is reported as part of each progress report to Governance and Audit Committee meetings, and is discussed in Director Relationship Manager Meetings.

All *Unsatisfactory* Audit Opinion Reports will be scheduled for an audit follow-up six months after the audit conclusion.



Mae'r dudalen hon yn wag yn fwriadol

DRAFT SUMMARY AUDIT PLAN, 2021/22

Fundamental Audits - S151 Assurance	Type of engagement	CIPFA classification	Audit plan 2020/21	Audit plan 2021/22
Creditor Payments & Processing	Assurance	Chargeable	55	50
Payroll & HR	Assurance	Chargeable	60	50
Council Tax	Assurance	Chargeable	20	0
NNDR	Assurance	Chargeable	0	20
Housing Benefit / Local Housing Allowances / CTRS	Assurance	Chargeable	20	0
Treasury Management	Assurance	Chargeable	0	20
Main Accounting	Assurance	Chargeable	0	20
Income and Debtors	Assurance	Chargeable	0	20
Asset Management	Assurance	Chargeable	0	20
Housing Rents	Assurance	Chargeable	0	10
Total			155	210
Corporate Governance Assurance - Audit			Audit plan, 2020/21	Audit plan, 2021/22
Risk Management Arrangements	Assurance	Chargeable	20	15
Governance Arrangements	Assurance	Chargeable	20	15
Scrutiny	Assurance	Chargeable	0	0
Ethics and Values	Assurance	Chargeable	20	15
Wellbeing of Future Generations Act	Assurance	Chargeable	20	0
Performance Management	Assurance	Chargeable	0	0
Health and Safety	Assurance	Chargeable	0	20
Information Governance	Assurance	Chargeable	0	20
Delegation and decision making	Assurance	Chargeable	0	20
Programmes and projects	Assurance	Chargeable	20	0
Investigation Processes	Assurance	Chargeable	0	30
Total			100	135
Other Assurance			Audit plan, 2020/21	Audit plan, 2021/22
Contract Audit	TBC	Chargeable	40	40
Partnership / Arm's-length Assurance	TBC	Chargeable	10	10
Education – SOP	TBC	Chargeable	15	0
ICT Audit	TBC	Chargeable	50	40
Value for Money studies	TBC	Chargeable	20	30
Taxation (incl. VAT)	TBC	Chargeable	20	15
System Development	TBC	Chargeable	30	20
National Fraud Initiative	TBC	Chargeable	10	0
Pensions and Investments	TBC	Chargeable	0	0
Insurance	TBC	Chargeable	15	0
Mileage & subsistence	TBC	Chargeable	15	15
Fleet Management (pool cars, grey fleet, etc.)	TBC	Chargeable	0	0

Procurement	TBC	Chargeable	0	20
Stores	TBC	Chargeable	10	0
Business Continuity	TBC	Chargeable	20	0
Members Allowances	TBC	Chargeable	15	0
Welsh Government Covid Grants - Assurance	TBC	Chargeable	12	20
TBA	TBC	Chargeable	0	4
Total			282	214
Service specific audits			Audit plan, 2020/21	Audit plan, 2021/22
Service / Process Consultancy	Consultation	Chargeable	100	60
Planning, Transportation and Environment	TBC	Chargeable	80	60
People and Communities	TBC	Chargeable	150	100
Economic Development	TBC	Chargeable	105	80
Economic Development (Waste Management)	TBC	Chargeable	100	70
Education and Lifelong Learning	TBC	Chargeable	245	190
Governance and Legal Services	TBC	Chargeable	60	50
Resources	TBC	Chargeable	80	70
Resources (CTS)	TBC	Chargeable	10	20
Social Services	TBC	Chargeable	205	150
Total			1,135	850
External			Audit plan, 2020/21	Audit plan, 2021/22
External clients	Assurance	Chargeable	20	30
Grants	Assurance	Chargeable	10	10
Total			30	40
Contingencies			Audit plan, 2020/21	Audit plan, 2021/22
General Audit		Chargeable	30	30
Total			30	30
Management			Audit plan, 2020/21	Audit plan, 2021/22
Corporate work – Committee, Audit Wales etc.	Consultation	Chargeable	50	50
Assurance mapping	Consultation	Chargeable	10	10
CRSA development	Consultation	Chargeable	0	0
Process development	Consultation	Chargeable	20	20
Work for Audit Manager	Consultation	Chargeable	30	30
Planning, monitoring & reporting	Consultation	Chargeable	30	30
Review of financial rules etc.	Consultation	Chargeable	20	20
General advice and guidance	Consultation	Chargeable	20	10
Total			180	170

Audit Team Non Chargeable Leave/Sickness/Training			Audit plan, 2020/21	Audit plan, 2021/22
Annual Leave (incl. use of carry forward leave)		Non-chargeable	346	329
Public Holidays		Non-chargeable	83	83
Maternity / Paternity / Parental Leave		Excluded	18	0
COVID related absences		Non-chargeable	0	143
Sickness		Non-chargeable	22	48
Professional Studies		Non-chargeable	104	50
Courses and seminars		Non-chargeable		
TOTAL AUDIT TEAM NON CHARGEABLE LEAVE/SICKNESS/TRAINING DAYS			573	653
Audit Team Non Chargeable Other			Audit plan, 2020/21	Audit plan, 2021/22
General Admin. (no identifiable client)		Non-chargeable	80	80
General management		Non-chargeable	11	18
Staff Development		Non-chargeable	24	24
Internal Audit meetings (such as team meetings)		Non-chargeable	45	46
Non-audit duties		Non-audit	0	5
TOTAL AUDIT TEAM NON CHARGEABLE OTHER DAYS			160	173
TOTAL AUDIT TEAM CHARGEABLE DAYS			1,912	1,649
TOTAL AUDIT TEAM NON CHARGEABLE DAYS			758	826
TOTAL DAYS			2,670	2,475
Investigations			Audit plan, 2020/21	Audit plan, 2021/22
General			650	650
Total			650	650
Investigations Non Chargeable Leave/Sickness/Training			Audit plan, 2020/21	Audit plan, 2021/22
Annual Leave (incl. use of carry forward leave)		Non-chargeable	75	83
Public Holidays		Non-chargeable	20	20
COVID-related absences		Non-chargeable	0	37
Sickness		Non-chargeable	5	12
Professional Studies		Non-chargeable	5	5
Courses and seminars		Non-chargeable		
TOTAL INVESTIGATIONS NON CHARGEABLE LEAVE/SICKNESS/TRAINING DAYS			105	157

Investigations Non Chargeable Other			Audit plan, 2020/21	Audit plan, 2021/22
General Admin.		Non-chargeable	8	8
General management		Non-chargeable	10	10
Staff Development		Non-chargeable	15	15
Internal Audit meetings		Non-chargeable	18	18
TOTAL INVESTIGATIONS NON CHARGEABLE OTHER DAYS			51	51
TOTAL INVESTIGATIONS CHARGEABLE DAYS			494	442
TOTAL INVESTIGATIONS NON CHARGEABLE DAYS			156	208
TOTAL DAYS			650	650

AUDIT COMMITTEE: 26 January 2021

DRAFT MONITORING EMPLOYEES AT WORK POLICY

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 10.3

Reason for this Report

1. The Audit Committee's Terms of Reference requires Members to:
 - Monitor the counter-fraud strategy, actions and resources;
 - Review the assessment of fraud risks and potential harm to the council from fraud and corruption.
2. This report has been prepared to provide Audit Committee with an opportunity to comment on and consider the draft Monitoring Employees at Work Policy. The policy is due to be considered for Cabinet approval in March 2021.

Background

3. The Council has adopted an Employees' Code of Conduct, embedded in the Constitution and incorporated into the contract of employment of all Council employees. All employees have a duty to be honest, to act with propriety and integrity at all times, and to adhere to legal requirements, rules, procedures and practices.
4. From time to time managers may receive an allegation or suspicion that the conduct of an employee they manage has fallen short of the expected standards, and requires investigation. The policy is designed to support a consistent and disciplined assessment of the purpose and impact of considerations for monitoring, in such circumstances.
5. The policy sets out the decision-making process and governance requirements when considering any monitoring at work in respect of a suspicion or allegation of misconduct. It is aligned to upholding the principles of the Council's Counter-Fraud and Corruption Strategy, and to the Council's Disciplinary Policy.
6. The draft policy has been prepared through consultation with colleagues in Internal Audit, Information Governance, HR People Services and Legal Services, and subject to consideration and comment from the portfolio Cabinet Member, Senior Management Team and the Equalities Team. Engagement with Trade Union has commenced, and a process of consideration and comment is ongoing. Comments have, and will continue to be incorporated into the attached draft policy, in Appendix A.

Issues

7. The policy is designed to help to ensure that when a suspicion or allegation of misconduct by an employee comes to the attention of the Council, an adequate investigation, conforming to the rules of natural justice, is carried out as quickly as possible.
8. Whilst it would be rare for covert monitoring (surveillance) of workers to be justified, in such cases, the Authorising Officer, graded Assistant Director / Chief Officer or above, would need to be satisfied that there are grounds for suspecting criminal activity or equivalent malpractice, and that notifying individuals about the monitoring would prejudice its prevention or detection.
9. This policy would apply to all Council officers, and is commended to all Schools for consideration and adoption by their respective Governing Bodies. In respect of Schools, the authorising officer for monitoring activities should be the relevant Chair of Governors, in consultation with the Audit Manager.
10. The policy requires that before monitoring is undertaken, a preliminary investigation is completed, and if monitoring is considered appropriate, a monitoring at work impact assessment would be completed. The impact assessment pro forma is contained within the policy, to ensure that the relevant factors are taken into account when deciding if monitoring is justified, and to ensure that the exercise is properly authorised.
11. The draft policy requires an Impact Assessment Form (Appendix A) to be completed by the relevant officer in respect of each monitoring exercise, which requires:
 - Professional advice from the Audit Manager and the Information Governance OM, for consideration by the Authorising Officer;
 - Technical advice and guidance from the ICT Security and Compliance Manager, where the monitoring relates to ICT systems;
 - Authorising Officer approval (graded Assistant Director / Chief Officer or above);
 - Agreement and counter-signatory from the OM Principal Solicitor (Litigation) or an equivalent representative, as assigned by the Monitoring Officer in order to proceed with the monitoring exercise.

Legal Implications

12. Article 8(1) of the European Convention on Human Rights, incorporated into UK law by the Human Rights Act 1998, provides that everyone has a right to respect for his private and family life, his home and his correspondence, which may only be interfered with in accordance with the law and as necessary in a democratic society. Under Article 8, public authorities must guarantee workers some degree of privacy in the workplace.
13. Electronic forms of workplace surveillance involve the processing of personal data which is regulated by data protection law. The Employment Practices Code issued by the Information Commissioner's Office provides guidance for employers on their data protection obligations. Part 3 of the Code contains guidance on monitoring employees at work, core principles of which include the following points:
 - i. Workers' private lives usually extend into the workplace and employees have an expectation of privacy, even where they have been informed monitoring may take place.
 - ii. If monitoring is to be carried out, an impact assessment should be undertaken.

- iii. For monitoring to be justified, a proportionality test must be met (the employer must consider whether the reason for monitoring is sufficient to justify intrusion into an employee's private life; and whether the means of monitoring chosen is proportionate to meet that need).
 - iv. Employees should be given information if monitoring is to take place.
 - v. A limited number of staff should have access to information obtained through monitoring and they should have received appropriate training.
 - vi. Data obtained through monitoring should be secure.
14. In considering this matter, the Council must have regard to its public sector equality duties under the Equality Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties, Councils must in making decisions have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. The Protected characteristics are: age, gender reassignment, sex, race – including ethnic or national origin, colour or nationality, disability, pregnancy and maternity, marriage and civil partnership, sexual orientation, religion or belief – including lack of belief. An Equalities Impact Assessment has been carried out to identify the equalities implications of the proposed policy and due regard should be given to the outcomes of the Equalities Impact Assessment.

Financial Implications

15. There are no direct financial implications arising from this report but if additional financial resources are required in order to undertake these duties then there is a need to identify financial resources prior to proceeding

HR Implications

16. The policy that this report refers to has been consulted on with Trade Unions. There will be a requirement for the details of the policy, if agreed by Cabinet, to be communicated to staff and the requisite training undertaken by the appropriate employees. There will also need to be a detailed briefing to HR Officers in order that they can advise as required and links can be made with HR policies.

RECOMMENDATIONS

17. That the Committee notes and considers the draft Monitoring Employees at Work Policy, prior to a request for Cabinet approval in March 2021.

Christopher Lee
Corporate Director Resources

The following appendices are attached:

Appendix A: Draft Monitoring Employees at Work Policy
Appendix B: Equality Impact Assessment

Mae'r dudalen hon yn wag yn fwriadol



Monitoring Employees at Work Policy

Contents

1. [Monitoring Employees at Work Policy](#)
2. [Monitoring Employees at Work - Impact Assessment](#)

Monitoring Employees at Work

Application

1. This policy applies to all Council officers, and is commended to all Schools for consideration and adoption by their respective Governing Bodies. In respect of Schools, the authorising officer for monitoring activities should be the relevant Chair of Governors, in consultation with the Audit Manager, who will coordinate the associated professional considerations.
2. The policy is aligned to upholding the principles of Council Codes of Conduct, the Counter-Fraud and Corruption Strategy, and to the Council's Disciplinary Policy.

Scope

3. The Council is involved in everyday functions of law enforcement ('core functions'). The Regulation of Investigatory Powers Act 2000 (RIPA) provides a framework for regulating the use of those investigatory powers ensuring that any covert surveillance activities are consistent with the duties imposed upon public authorities by the Human Rights Act.
4. The regulation of employees (e.g. employment issues, contractual arrangements etc) is a factor common to all public authorities and may be considered to be an 'ordinary function.' These 'ordinary functions' are covered by the Data Protection Act 2018 and the Information Commissioner's Employment Practices Code. A public authority may only seek authorisations under RIPA when in performance of its 'core functions'.
5. This policy does not apply to cases which relate to the Regulation of Investigatory Powers Act 2000. Any such cases should be progressed in accordance with the Council's RIPA Operational Policy and Guidance. In each case advice should be obtained as appropriate, from the OM Principal Solicitor (Litigation), or other representative as directed by the Monitoring Officer.

Introduction

6. The Council has adopted an Employees' Code of Conduct, embedded in the Constitution and incorporated into the contract of employment of all Council employees
7. The public are entitled to expect the highest standards of conduct from all Council employees. The role of employees is to serve the Council by providing advice, implementing its policies, and delivering services to the local community.
8. Where the employer is a public authority, that authority has a duty to the tax payer to ensure that employees are doing what they are paid to do. The Council demands a very high standard of conduct from employees whilst they conduct their duties, and official positions must not be used to further private interests, or the interest of others.
9. Officers in a supervisory role are responsible for ensuring that employees under their control adopt high standards of conduct whilst undertaking their duties. All employees

have a duty; to be honest; to act with propriety and integrity at all times; and to adhere to legal requirements, rules, procedures and practices.

10. Many employees spend time working in the community, reporting direct to site or job. Occasionally the Council will want to undertake management checks to ensure that employees comply with appropriate rules and working practices. This supervisory action is to ensure compliance with the contractual arrangements between employer and employee. Such checks can be conducted as to the whereabouts and actions of employees during hours of paid employment, and as such are outside the scope of this policy.
11. From time to time managers may receive an allegation or suspicion that the conduct of an employee they manage has fallen short of the expected standards, and would require investigation, for example; falsification of time sheets. It is important that before monitoring is undertaken, a preliminary investigation is undertaken and if monitoring is considered appropriate, an impact assessment will need to be completed.
12. It will be rare for covert monitoring (surveillance) of employees to be justified; it should therefore be used in exceptional circumstances.

- *“The covert monitoring of workers can rarely be justified. Do not carry it out unless it has been authorised at the highest level in your business. You should be satisfied that there are grounds for suspecting criminal activity or equivalent malpractice, and that telling people about the monitoring would make it difficult to prevent or detect such wrongdoing.*
- *Use covert monitoring only as part of a specific investigation, and stop when the investigation has been completed. Do not use covert monitoring in places such as toilets or private offices unless you suspect serious crime and intend to involve the police.”*

Information Commissioners Office

13. The authorising officer, graded Assistant Director / Chief Officer or above, should satisfy themselves that there are grounds for suspecting criminal activity or equivalent malpractice and notifying individuals about the monitoring would prejudice its prevention or detection.
14. The Council's Disciplinary Policy and Fraud, Bribery & Corruption Policy help to ensure that when a suspicion or allegation of misconduct by an employee comes to the attention of the Council, an adequate investigation, conforming to the rules of natural justice, is carried out as quickly as possible. The Council must also ensure that it meets its counter-fraud obligations in accordance with a range of legislative requirements, including corporate criminal offence legislation (Criminal Finances Act). Support and guidance is available from Internal Audit (fraud@cardiff.gov.uk).

Data protection and monitoring at work

15. A number of the requirements of the Data Protection Act will come into play whenever an employer wishes to monitor its employees. It is important to note that the Act does

not prevent an employer from monitoring employees, but such monitoring must be done in a way which is consistent with the Act.

16. The Employment Practices Code under the Data Protection Act deals with the impact of data protection laws on the employment relationship. The Code has been issued by the Information Commissioner and aims to give guidance and promote good practice.
17. Employers especially in the public sector must also bear in mind Article 8 of the European Convention on Human Rights, which creates a right to respect for private and family life, home and correspondence. In broad terms, what this Act requires is that any adverse impact on employees is justified by the benefits to the employer and others.

The Council's monitoring arrangements

ICT Services

18. Access to, and use of ICT services, such as internet, email, mobile devices, electronic file store (networks and storage devices) and printing is subject to the scrutiny of the employer.

Tracking systems

19. The Council uses vehicle tracking systems to manage its vehicle fleet using real time information to improve operational practice and service delivery. It also enables the Council to comply with legal duties in relation to Health & Safety. The system gathers GPS (geographical / speed) data and time information in respect of each vehicle.

CCTV

20. The Council reserves the right to view CCTV images where it is considered necessary and proportionate to do so, following suspicion or receipt of an allegation of misconduct.

Impact assessments & process

21. The Data Protection Act does not prevent monitoring, and in some cases monitoring might be necessary to satisfy its requirements. However, any adverse impact of monitoring individuals must be justified by the benefits to the employer and others. The term "impact assessment" describes the process of deciding whether this is the case.
22. A Monitoring at Work, Impact Assessment form has been designed to ensure that the relevant factors are taken into account when deciding if monitoring is justified and to ensure that the exercise is properly authorised.
23. As an employer, managers are likely to find it helpful to carry out an informal 'impact assessment' to decide if and how to carry out monitoring. This is the means by which it is established whether a monitoring arrangement is a proportionate response to the problem it seeks to address. It should assist employers in identifying and giving appropriate weight to the other factors they should take into account as outlined in the Impact Assessment Form.

24. The Impact Assessment Form (Appendix A) should be completed by the relevant officer in respect of each monitoring exercise and emailed via a Cardiff Council email account for professional advice from the Audit Manager and the Information Governance OM. The advice / comments received will be included on the Impact Assessment Form, for consideration by the Authorising Officer.
25. Where the monitoring relates to ICT systems, if the form appears to identify an appropriate request, contact will be made with the ICT Security and Compliance Manager, to ascertain if proposed monitoring is achievable before forwarding to the Authorising Officer.
26. The Authorising Officer will discuss the Impact Assessment Form with the OM Principal Solicitor (Litigation) or an equivalent representative, as assigned by the Monitoring Officer. The Authorising Officer will require the agreement of the representative in Legal services to counter-sign the Impact Assessment Form in order to proceed with the monitoring exercise.
27. The Authorising Officer, will make the final decision to authorise / not authorise the monitoring exercise, and will sign the Impact Assessment Form, which will be counter-signed by the representative in Legal Services. The decision will be communicated within 5 working days of their receipt of the form. The Authorising Officer will keep authorised requests under regular review.
28. Each request will be dealt with on a case by case basis taking into account the requirements of the Data Protection Act, and the Employment Practices Code. Officers will be asked, as part of the request, what considerations have been taken into account in respect of an adverse effect on others and what other action has been considered prior to requesting the monitoring of an employee.
29. This information will be held securely by the Authorising Officer for a period of time as specified within the Council's Retention Schedule and securely destroyed when no longer required. Information will be kept confidential at all times as set out in employee's contract of employment and the Council's data protection policies and procedures.
30. Questions in relation to this policy should be directed to the Audit Manager (fraud@cardiff.gov.uk).
31. It is intended to review this policy every two years.



Cardiff Council Monitoring at Work – Impact Assessment

Applicant		Section	
Place of work			
Contact number			

PURPOSE OF MONITORING

1. Describe the conduct to be authorised

Explain what is being investigated, for example:

- Investigate allegation of misuse of email/internet
- Investigate allegation of employee falsifying timesheets
- Investigate allegation of theft of fuel

2. Describe in detail the operation (include duration, vehicles, equipment, subject(s), resources etc)

The key phrase is “in detail.” Therefore a response which merely states “Video camera and recording equipment will be installed at a fixed point” will not be adequate.

Your statement here needs to include what is going to be done, who is going to do it, when they are going to do it, where they are going to do it, how they are going to do it and also:

- How long will the monitoring last?
- Specific details about dates and times i.e. is it 24/7, at specific times of the day or at random times?
- Which premises are to be used and/or targeted?
- Which vehicles are to be used? Are they public or private?
- What type of equipment is to be used? e.g. covert cameras
- What is the capability of the equipment to be used? e.g. zoom lens, remote controlled, audio etc.
- Who else will be involved in the operation and what will be their role? e.g. Internal Audit, ICT, Police

It may be appropriate to attach plans/maps showing where and how the surveillance will be conducted and indicating where any surveillance equipment will be installed.

3. What do you expect to obtain as a result of monitoring

- Internet usage logs to establish if the Council’s system was used in order to undertake personal, business activities
- Evidence to determine if the employees are leaving work at a time different to their time sheet entries
- Evidence to determine if the employee is undertaking secondary employment which has not been declared and may be detrimental to their recovery.

INDIVIDUAL SUBJECT TO MONITORING

4. Employee details			
Name		Address	State N/A if not relevant
Job title		Directorate	
Place of work		Address of monitoring	State N/A if not relevant

ADVERSE IMPACT

5. Identify any likely adverse impact as a result of monitoring
Mutual trust and confidence should exist between an employee and their employer, what impact could this activity have? If you undertake monitoring you may also identify information relating to others, for example, members of the public or work colleagues.
List here all potential collateral intrusion and negative impacts of this proposed activity.
If the employee is already aware that their use of a system will be recorded, please state so here (e.g. attended tool box talk – aware that vehicle has a tracker).

ALTERNATIVES

6. What alternative actions have been considered
Whilst the only other alternative may appear to be speaking to the employee, you must still show that you have considered that and any other alternatives, setting out why you have chosen not to take that course of action.
<ul style="list-style-type: none">• Can you get information using less intrusive means/overt methods?• What other means have you tried to obtain the same information/evidence?

OBLIGATIONS

7. How will you ensure that you comply with the Data Protection Act
This involves balancing the seriousness of the intrusion into the employees privacy (or any other person who might be affected) against the need for the activity in investigative and operational terms.
Ensure that officers who undertake the monitoring are clear on the subject of the exercise.
Document how evidence will be gathered, retained, disclosed, stored, destroyed.
Demonstrate how you have balanced the size and scope of the proposed activity against the gravity and extent of the perceived misconduct.

DECISION

8. Considering the impact assessment, is the proposed activity justified
The authorisation will not be proportionate if it is excessive in the overall circumstances of the case. Each action authorised should bring an expected benefit to the investigation or operation and should not be disproportionate or arbitrary. The fact that a suspected offence may be serious will not alone render intrusive actions proportionate. Similarly, an offence may be so minor that any deployment of covert techniques would be disproportionate. No activity should be considered proportionate if the information which is sought could reasonably be obtained by other less intrusive means.

9. Professional Advice			
Name		Name	
Job title	Audit Manager	Job title	Information Governance OM
Comments Received			
Date			

10. Authorising Officer			
Name		Job title	(Assistant Director / Chief Officer or above)
Comments			
Date		Time	
Signature		To be reviewed:	E.g. within 30 days

11. Counter-Signing Officer			
Name		Job title	(OM Principal Solicitor (Litigation) / equivalent)
Comments			
Date		Time	
Signature			

** This authorisation if approved will be effective on signing.

Review1	
Officer	
Date	
Comments	

Review2	
Officer	
Date	
Comments	

CARDIFF COUNCIL

Equality Impact Assessment Corporate Assessment Template



Policy/Strategy/Project/Procedure/Service/Function Title: Monitoring employees at Work Policy
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: 03/09/2020	

1. What are the objectives of the Policy/Strategy/Project/ Procedure/ Service/Function?

The policy is designed to help to ensure that when a suspicion or allegation of misconduct by an employee comes to the attention of the Council, an adequate investigation, conforming to the rules of natural justice, is carried out as quickly as possible.

The policy requires that before monitoring is undertaken a preliminary investigation is completed, and if monitoring is considered appropriate, a monitoring at work impact assessment will be completed.

An impact assessment pro forma has been designed, and is contained within the policy, to ensure that the relevant factors are taken into account when deciding if monitoring is justified and to ensure that the exercise is properly authorised.

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.]

The Policy has been prepared through consultation with colleagues in Internal Audit, Information Governance, HR People Services and Legal Services.

The Policy is prepared in order to support a consistent and disciplined assessment of the purpose and impact of considerations for monitoring, where there are suspicions or allegations of misconduct. The Policy is aligned to upholding the principles of the Council's Counter-Fraud and Corruption Strategy.

All employees have a duty: to be honest; to act with propriety and integrity at all times; and to adhere to legal requirements, rules, procedures and practices.

CARDIFF COUNCIL

Equality Impact Assessment Corporate Assessment Template

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.

It is not anticipated that the policy will have a differential impact on younger/older people. General comments are included in section 5.

What action(s) can you take to address the differential impact?

3.2 Disability

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on disabled people?

	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.

It is not anticipated that the policy will have a differential impact on disabled people. General comments are included in section 5.

What action(s) can you take to address the differential impact?

3.3 Gender Reassignment

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on transgender people?

4.C.400	Issue 1	Nov 11	Process Owner: Rachel Jones	Authorised: Rachel Jones	Page 2
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CARDIFF COUNCIL

Equality Impact Assessment Corporate Assessment Template

	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.

It is not anticipated that the policy will have a differential impact on transgender people. General comments are included in section 5.

What action(s) can you take to address the differential impact?

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?

	Yes	No	N/A
Marriage			X
Civil Partnership			X

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

It is not anticipated that the policy will have a differential impact on marriage and civil partnership. General comments are included in section 5.

What action(s) can you take to address the differential impact?

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.

It is not anticipated that the policy will have a differential impact on pregnancy and maternity. General comments are included in section 5.

What action(s) can you take to address the differential impact?

CARDIFF COUNCIL

Equality Impact Assessment Corporate Assessment Template

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.

It is not anticipated that the policy will have a differential impact in respect of race. General comments are included in section 5.

What action(s) can you take to address the differential impact?

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.

It is not anticipated that the policy will have a differential impact on people with different religions, beliefs or non-beliefs. General comments are included in section 5.

What action(s) can you take to address the differential impact?

3.8 Sex

CARDIFF COUNCIL

Equality Impact Assessment Corporate Assessment Template

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.

It is not anticipated that the policy will have a differential impact on men and/or women. General comments are included in section 5.

What action(s) can you take to address the differential impact?

3.9 Sexual Orientation

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.

It is not anticipated that the policy will have a differential impact in respect of sexual orientation. General comments are included in section 5.

What action(s) can you take to address the differential impact?

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.

It is not anticipated that the policy will have a differential impact on welsh language. General comments are included in section 5.

What action(s) can you take to address the differential impact?

Equality Impact Assessment Corporate Assessment Template

4. Consultation and Engagement

What arrangements have been made to consult/engage with the various Equalities Groups?

A copy of the Monitoring Employees at Work Policy is being shared with the Equality Team. A process of consultation and engagement will take place with Trade Unions.

5. Summary of Actions [Listed in the Sections above]

Groups	Actions
Age	Not applicable
Disability	Not applicable
Gender Reassignment	Not applicable
Marriage & Civil Partnership	Not applicable
Pregnancy & Maternity	Not applicable
Race	Not applicable
Religion/Belief	Not applicable
Sex	Not applicable
Sexual Orientation	Not applicable
Welsh Language	Not applicable
Generic Over-Arching [applicable to all the above groups]	Not applicable

Comment	<p>There will be no adverse impact on any Equality groups or protected characteristics, as the policy supports the Council in its duty to protect public resources.</p> <p>The monitoring at work impact assessment document, and authorisation process, will ensure that all relevant obligations and adverse impacts are appropriately taken into account in the consideration of requests for monitoring employees at work.</p> <p>The policy requires that decisions must bear in mind Article 8 of the European Convention on Human Rights, which creates a right to respect private and family life, home and correspondence. There is a requirement for any adverse impact on workers to be justified by the benefits to the employer.</p> <p>It is advised that all those tasked with administering the Policy have also received adequate Equality/Unconscious Bias training to ensure fairness throughout the process.</p>
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6. Further Action

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CARDIFF COUNCIL

Equality Impact Assessment Corporate Assessment Template

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: 3 September 2020
Designation: Group Auditor (Investigations)	
Approved By: Chris Pyke	
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

Mae'r dudalen hon yn wag yn fwriadol

CARDIFF COUNCIL CYNGOR CAERDYDD

AUDIT COMMITTEE:

26 JANUARY 2021

TREASURY PERFORMANCE REPORT – POSITION AT 31 DECEMBER 2020

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 seeking 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.
2. This report has been prepared to provide Audit Committee Members with performance information and a position statement on Treasury Management as at 31 December 2020 – Appendix 1
3. Audit committee received a Treasury Management benchmarking report collated by officers in November 2019 which can support members in understanding the Council's investments and borrowing position.

Performance

4. At 31 December 2020, investments total £141.4 million. The investments arise as a result of timing of cash flows for the Council, but also include funds held on behalf of others primarily the Capital Cardiff Region City Deal. The level of cash balances at the start of the year diminish as the year progresses, however average cash balances have been higher than normal in this period for a number of reasons as set out in previous reports to Committee including those to mitigate against availability of funds at the start of the Covid 19 crisis.
5. The forecast level of interest receivable in 2020/21 from treasury investments as at Month 9 of the financial year is circa £370,000. This is based on current cash flow and interest rate assumptions and is lower than the initial estimate as a result of reduction in bank base rate since Covid 19 for new investments. The benchmark London Interbank Bid Rate (LIBID) for seven days is negative at minus 0.06% average for the year, with little or no return currently being received on new deposits.

6. The level of borrowing is £828.2 million, with the average rate being 4.11%. The total interest forecast to be payable on borrowing for the year is £34.1 million and includes interest payable by the Housing Revenue Account.
7. The forecast level of internal borrowing at 31 March 2021 is £19 million, i.e. where temporary cash balances held by the Council are used to pay for capital expenditure. This is subject to the level of capital expenditure and funding of that expenditure at the end of the year as well as the quantum of external borrowing undertaken during the year.

Investments

8. Pages 2 and 3 of Appendix 1 considers the position on investments. The charts on the Performance Report show the position at a point in time and investments continue to be closely monitored.
9. The current investments list details each investment, the interest rate, the start date and maturity date. They also link this back to the credit criteria approved by Council in February 2020 by a colour coding which indicates the perceived strength of the organisation.
10. In order to support the treasury team to manage the level of funds and to mitigate against counterparty risk, the Council activated its use of the HM Treasury Debt Management Office (DMO) account at the end of March 2020.
11. 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.
12. 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.
 - **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 the UK Government.

Borrowing

13. Loans undertaken in year to date include to be undertaken during the year include a loan received from Welsh Government to implement a private sector housing leasing scheme (£0.5 million). Planned borrowing in the last quarter includes a further loan from Welsh Government in respect of town centre regeneration (£1.2 million) as well as replacement borrowing

for £20 million of maturing short term loans, in order to secure an element of the Council's overall long term borrowing requirement.

Reason for Report

14. To provide Audit Committee Members with a performance position statement at 31 December 2020.

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 has no direct financial implications.

RECOMMENDATIONS

17. That the Treasury Performance Report for 31 December 2020 be noted.

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES
26 January 2021

The following appendices are attached
Appendix 1 – Cardiff Council Treasury Management Performance Report – 31 December 2020

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:

26 January 2021

DRAFT TREASURY MANAGEMENT STRATEGY 2021/22

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 11.2

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. A Treasury Management Strategy for 2021/22 is required to be approved as part of the Budget Report to Council in March 2021. This report has been prepared to provide Audit Committee Members with the draft Treasury Management Strategy for 2021/22.

The Draft Treasury Management Strategy

1. The strategy is included at Appendix 1 and covers the following areas:-
 - Introduction to the Capital Strategy, Capital Financing Requirement and Treasury Strategy
 - The current treasury position
 - Economic background and prospects for interest rates
 - Borrowing, including:-
 - Policy
 - Annual Minimum Revenue Provision (MRP) Policy Statement
 - Council borrowing requirement
 - Borrowing Strategy and choice between internal and external borrowing
 - Treasury management indicators and limits for 2021/22 to 2025/26
 - Treasury investment policy and strategy, including security and investments approved for use
 - Approach to Non Treasury investments
 - Training
 - A glossary of terms.
2. It should be noted by the Committee that the Treasury forecasts and many of the indicators included in this draft are dependent on the final Capital Programme, which will only be determined at Council in March 2021. The figures included in this draft represent potential commitments that will also

be subject to change for the updated capital monitoring position at Month 9.

3. The strategy includes any suggested recommendations arising from the independent review undertaken and reported to Audit Committee in November 2019. The main points to note in the draft Treasury Management Strategy are:

- It is a single integrated strategy for the Council as a whole rather than separate strategies for the Housing Revenue Account and the Council's General Fund.
- The strategy is drafted in accordance with the requirements of the CIPFA Treasury Management Code (2017) and Welsh Government guidance on investments updated in 2019.
- Consistent with previous years, the strategy shows a significant increase in the Council's underlying need to borrow to meet capital expenditure commitments approved as part of the capital investment programme in the medium term. The main areas of investment resulting in an increase in the Capital Financing Requirement are highlighted in the draft strategy.
- Maintaining the approach to provision for debt repayment of debt and particularly for supported borrowing as considered by Audit Committee in January 2020.
- The timing of borrowing decisions, associated risks and financial implications will be important in order to achieve a balance between using temporary cash balances held (internal borrowing) in the short term and securing parts of the Council's long term borrowing requirement at what are currently historically low rates of interest.
- The priority for Treasury investments remains security, liquidity then yield, with the Strategy retaining the potential use of a range of investment options to increase diversification and increase individual limits to support the management of cash in a low interest environment. Joint Committee temporary cash will be managed within criteria and parameters set out in the strategy.
- Strong credit criteria are set for investments undertaken by the Council based on Fitch Credit Criteria.
- The Strategy will apply from the date of approval by Council in March 2021.
- The Council is progressing significant capital projects which could have significant Treasury Management Implications. The impact on the Council as a result of these schemes and governance arrangements in place to deliver them will need to be closely monitored to ensure no adverse financial implications for the Council.

Reason for Report

4. To note the proposed Draft Treasury Management Strategy for 2021/22 and provide any comments as necessary to be considered as part of the final document.

Legal Implications

5. No direct legal implications arise from this report.

Financial Implications

6. The Treasury Management Strategy does have financial implications which will need to be consistent with and form part of the budget proposals for 2021/22, Medium Term Financial Plan and Capital Strategy to be considered by Council in March 2021.
7. In approving the Capital Strategy and Treasury Management Strategy, Council Members will need to consider the affordability, prudence and sustainability of an increasing borrowing requirement in line with the Prudential Code. This will need to include a range of financial and procedural mitigations to support an expanding investment programme and mitigate against risks to affordability.

RECOMMENDATION

8. That Audit Committee note the proposed Treasury Management Strategy for 2021/22 and provide comments as necessary with any amendments being considered for inclusion in the final Strategy which will be considered by Cabinet prior to approval by Council as part of the 2021/22 Budget Proposals Report.

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES
26 January 2021

The following appendices are attached
Appendix 1 – Draft Treasury Management Strategy 2021/22

Mae'r dudalen hon yn wag yn fwriadol

Draft Treasury Management Strategy 2021/22

Cardiff Council



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Treasury Management

1. The Council carries out its treasury management activities in accordance with a Treasury Management Code of Practice for public services, updated by CIPFA in 2017. This requires the Council to set out the policies and objectives of its treasury management activities and adopt four Clauses of Treasury Management. These were formally adopted by the Council in February 2010. The last section of this strategy includes a glossary of terms used in this document.
2. CIPFA has adopted the following as its definition of treasury management activities:

The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

3. The definition of 'Investments' above includes:
 - treasury management investments (held for the prudent management of financial affairs), as well as
 - non-treasury Investments, undertaken as part of a Capital Strategy either in the course of provision of services; or made for commercial reasons purely to make a financial gain. These are managed outside of normal treasury management activity.

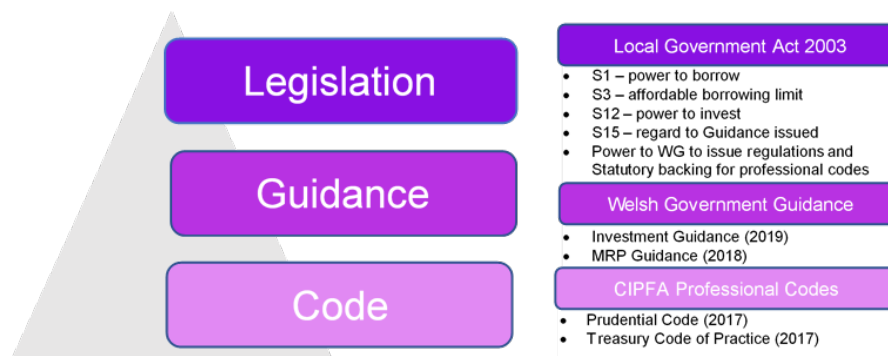
Governance and Reporting

4. In compliance with Codes and Council policy, full Council receives a report on:
 - the Treasury Management Strategy at the start of a forthcoming year
 - a mid-year update and
 - an outturn report.
5. The Treasury Management Strategy is an integral part of the Council's Strategic and Financial planning framework.



Introduction

6. In 2004, local authorities were provided with flexibility in relation to the quantum and timing of borrowing decisions. Legislation, guidance and professional codes of practice were introduced to support decision making and ensure investment and borrowing is Prudent, Sustainable and Affordable.

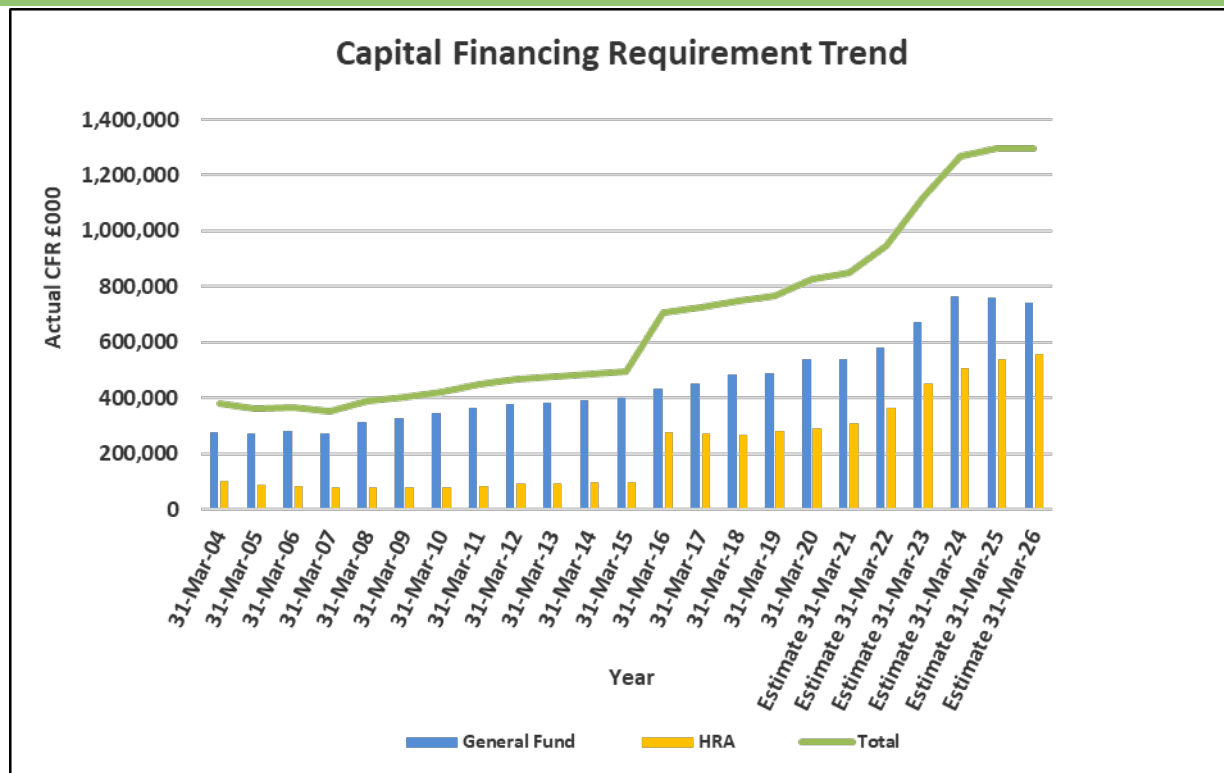


7. The Council has delegated responsibility for treasury management to the Corporate Director of Resources and S151 Officer. The Council's Treasury Management Practices which are updated annually, identifies specific responsibilities of officers as well as setting out schedules highlighting the way in which treasury activities are managed.
8. Responsibility for treasury decisions ultimately remains with the Council, however the Council recognises the value in the use of treasury advisors to support the management of risk and to access specialist skills and resources. Support provided by Link Asset Services, Treasury Solutions includes advice on timing of decision making, training, credit updates, economic forecasts, research, articles and advice on capital finance.
9. Audit Committee undertakes scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices and various reports are produced highlighting treasury management activities in accordance with council policy.

Capital Strategy and Capital Financing Requirement (CFR)

10. The Council's Capital Strategy will set out that successfully delivering the commitments set out in the Council's Capital Ambition will require capital investment. Having a capital strategy in place informs capital investment decisions by providing a framework, which will:
- provide a longer term view of capital expenditure plans whilst setting out all the financial risks to which the authority is exposed
 - ensure decisions can demonstrate sufficient regard to the long term financing, affordability implications and potential risks to the authority
 - provide an overview of the Council's asset management planning arrangements, which includes any maintenance requirements that have resource and business planning implications.

11. The Capital Strategy is approved by Council as part of its budget setting process, with specific commentary required by the Council's S151 Officer in respect to deliverability, affordability and risks. The strategy sets out the approach to:
 - Working with partners - recognising the enabling role played by the Council in delivering investment and the need for alignment with Welsh Government on a longer term and sustained approach to capital investment.
 - Asset Management Planning - how the Council demonstrates stewardship of assets used in service delivery and the need to understand condition and alternative options as a basis for understanding investment requirements.
 - Risk Appetite - the main areas where capital investment paid for by borrowing would be considered and how such decisions are informed by robust business cases.
 - Governance and decision-making - identifying priorities for investment, securing value for money, and monitoring and reporting of the approved capital programme.
 - Capital Investment Programme - the detailed five year capital investment programme proposed for 2021/22 to 2025/26.
 - Funding the strategy and investment programme - the Capital Resources assumed to be used to fund the 2021/22 to 2025/26 investment programme.
 - Affordability - understanding the impact of capital investment decisions on the Council's revenue budget and Medium Term Financial Plan via the calculation of various prudential indicators to be approved by Council. These include highlighting the percentage of capital financing costs committed as a percentage of the revenue budget.
 - Managing the borrowing requirement - identifying the Capital Financing Requirement and setting out the strategy to manage Treasury activities including the borrowing requirement and treasury investments. This is considered in the Treasury Management Strategy.
12. The detailed capital investment programme will be updated and approved as part of the Budget proposals for 2021/22 and as has been shown previously demonstrate an increasing requirement to borrow for a number of reasons. Draft projections of the Capital Financing Requirement for the General Fund and Housing Revenue Account are illustrated in the chart below and where there is a rationale for doing so, further splits of the Capital Financing Requirement may be considered.



13. The CFR projections show a continuing increasing trend. The key reasons for this and assumptions that can impact on the timing of investment include:

- An assumption that the council has the capacity and can implement the capital programme in accordance with the timescale in which funding is requested.
- An assumption that the non earmarked capital receipt target of £40 million set in 2018/19 and other capital receipts assumed are achievable and receivable in a reasonable time frame.
- The approach to making prudent provision in the Council's revenue budgets for the repayment of any capital expenditure incurred on the basis of borrowing.
- The detailed capital programme is still to be developed and approved by Council, but would propose:
 - Agreed expenditure pre commitments in the capital programme approved in 2020/21 and prior years.
 - Additional investment to be considered for 2021/22 to 2025/26
 - Investment in the target to deliver 2000 new affordable homes in the Housing Revenue Account
 - Schools investment as part of the financial models for 21st Century Schools Band B and for additional asset renewal works to address condition
 - Specific schemes intended to pay for themselves from future revenue income or savings e.g. LED Lighting, District Heat Network, Cemetery expansion, Lamby Way solar farm and Core Office Strategy
 - Repayable loans offered by Welsh Government for specific schemes
 - Bringing forward agreed council contributions to the Capital Cardiff Region City Deal Wider Investment Fund including expenditure in advance of receiving HM Treasury Grant
 - The triggering of the affordability envelope approved by the Council following the acquisition of the Red Dragon Centre and enabling works and land acquisition required for the development of an Arena as part of the Atlantic

Wharf Regeneration Masterplan. An options appraisal and due diligence is to be considered in respect of the best means to deliver a financial package to allow the construction of the Arena itself following the appointment of the preferred bidder by Cabinet in November 2020. As planned within this process, this will include an assessment of whether it is financially beneficial for the Council to borrow the funding itself, which is then repayable by the operator or whether this should be done via a financial institution directly with the operator. It should be noted that the former would increase the Council's need to borrow, but has not been assumed at this stage in the Council's Capital Financing Requirement.

Treasury Management Strategy

14. The strategy covers the following areas:
 - Borrowing to finance the cash requirements arising from the Council's Capital Strategy and detailed capital investment programme. Costs of servicing that financing is included in Medium Term Financial Plans for the General Fund and Housing Revenue Account.
 - Treasury investments determining how short term cash flows will be safely managed to meet the Council's financial commitments and objectives.
 - Highlighting the approach to non-treasury Management Investments. Whilst these impact on the treasury function, they arise from capital expenditure plans which are reported separately from day to day treasury management activities. Accordingly this strategy focuses on Treasury investments.
15. The Council accepts that no treasury management activity is without risk. However 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.
16. The identification, monitoring and control of risk are integral elements of treasury management activities with risks including credit and counterparty, liquidity, interest rate, refinancing, fraud and regulatory. The Council has Treasury Management Practices to address and mitigate these risks which were updated in March 2020.
17. The proposed strategy is an integrated strategy for the Council including the Housing Revenue Account (HRA) and includes:
 - the current treasury position
 - economic background and prospects for interest rates
 -
 - borrowing, including:
 - policy
 - council borrowing requirement based on its capital expenditure plans and choice between internal and external borrowing and
 - borrowing strategy
 - treasury management indicators and limits for 2021/22 to 2025/26
 - investment policy and strategy, including security and investments approved for use

Introduction

- non treasury investments and
- training.

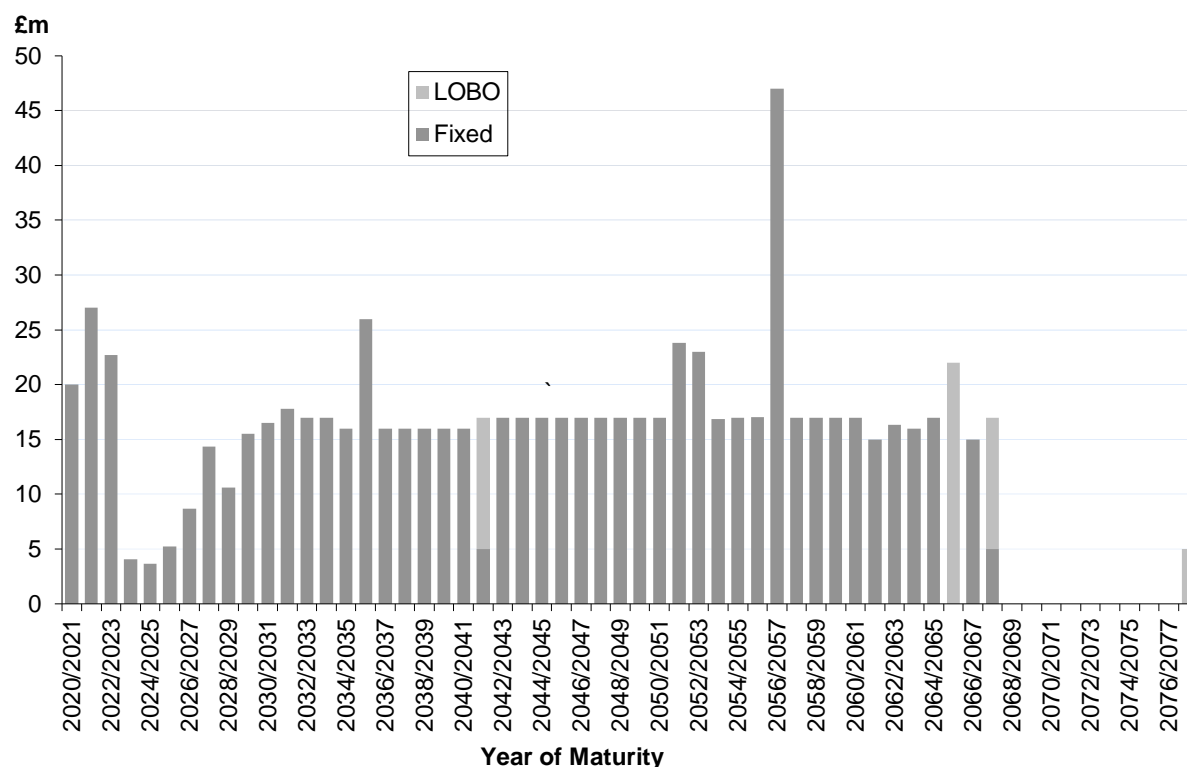
18. Borrowing and investments as at 31 December 2020 and at the same date in the prior year, are shown in the following table. Borrowing is predominantly made up of fixed interest rate loans payable on maturity. Investments fluctuate daily and are represented by fixed term deposits, notice deposit accounts and money market funds. These balances arise due to the timing of cash flows and working capital as well as the existence of reserves, provisions and balances required for future use.

	31 December 2019		31 December 2020	
	Principal	Average	Principal	Average
	£m	Rate %	£m	Rate %
External Borrowing				
Public Works Loan Board (PWLB)	(668.9)	4.6	(698.9)	4.5
Market (Lender Option Borrower Option)	(51.0)	4.0	(51.0)	4.0
Welsh Government	(6.1)	0.0	(16.4)	0.0
Local Authority	(0.0)	0.0	(58.3)	1.5
Other	(4.5)	0.0	(3.6)	0.0
Total Debt	(730.5)		(828.2)	
Treasury Investments (Internally Managed)*				
Banks	91.0	0.90	76.0	0.22
Building Societies	10.0	0.75	10.0	0.07
Money Market Funds	22.0	0.71	35.1	0.00
Government	0	0	20.3	0.01
Total Treasury Investments (Net)	123.0	0.86	141.4	0.12
Net Treasury Investments / (Borrowing)	(607.50)		(686.8)	

*Note all investments are currently managed internally and no external fund management arrangements are in place.

19. The Council's debt maturity profile at 31 December 2020 is shown in the following graph on the assumption that all loans run to their final maturity.

The Treasury Position



20. LOBO products are loans to the Council where the lender can request a change in the rate of interest payable by the Council on pre-determined dates. The Council at this point has the option to repay the loan without penalty. The Council has six such loans totalling £51 million.
21. Apart from the option to increase rates, these loans are comparable to PWLB loans and have no other complications such as variation in interest rates or complex terms. Interest rates on these loans range between 3.81% and 4.35%. Details of the loans are shown in the next table.

Lender Option Borrower Option (LOBO) Loans			
Potential Next Repayment Date	Loan Value £m	Option Frequency Every	Full Term Maturity Date
01/03/2021	6	6 months	23/05/2067
21/05/2021	6	6 months	21/11/2041
21/05/2021	6	6 months	21/11/2041
21/05/2021	6	6 months	23/05/2067
15/01/2023	5	5 years	17/01/2078
21/11/2025	22	5 years	23/11/2065

22. It should be noted that £24 million of the LOBO loans are currently subject to the lender potentially requesting a change in the rate of interest payable every six months. A further £5 million and £22 million have call options in January 2023 and November 2025 respectively and every five years thereafter. The likelihood of a request for an increase in rate is negligible.

Economic Background and Prospects for Interest Rates

23. The following table gives the Council's treasury management advisor's latest forecast of interest rates taking into account the twenty basis point certainty rate reduction available for PWLB loans. It is a central forecast, acknowledging for example that there are upside and downside risks.

	Actual 31/12/2020	March 2021	March 2022	March 2023	March 2024
Bank Rate	0.10%	0.10%	0.10%	0.10%	0.10%
5yr PWLB rate	0.75%	0.80%	0.90%	0.90%	1.00%
10yr PWLB rate	1.05%	1.10%	1.20%	1.20%	1.30%
25yr PWLB rate	1.60%	1.50%	1.60%	1.70%	1.80%
50yr PWLB rate	1.40%	1.30%	1.40%	1.50%	1.60%

Forecast at December 2020

24. In Its latest quarterly meeting, the Bank of England Monetary Policy Committee kept Bank Rate unchanged at 0.10% and announced a further £150 billion of quantitative easing to start in January 2021 as part of an overall target of £895 billion. There was no mention of negative interest rates, however it indicated that it “stands ready to adjust monetary policy” and signalled that rates would remain low unless future inflation was deemed to be persistently above its long term target. It made several references to downside risks and that any recovery following Covid-19 would take time and includes a risk of a persistent period of elevated unemployment.
25. UK public borrowing is forecast to reach £394 billion in the current year, the highest ever peace time deficit and 19% of Gross Domestic Product. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the quantitative easing has depressed gilt yields to historic low levels. Overall, the pace of recovery is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The spread of a new mutation of the virus and further restrictions will result in further contractions of the economy.
26. Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant caveat is if another mutation of COVID-19 appears that defeats the current batch of vaccines, however there are likely to be painful longer term adjustments in some industries, impact on globalisation and long distance supply chains.
27. An agreement in respect of a Brexit deal has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis.
28. In summary, central banks are likely to continue to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand in their economies.

29. PWLB rates are based on Government borrowing rates (Gilts) and can be the subject of exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments over the forecast period. There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.
30. Downside risks to PWLB rates are:
- Bank of England raises bank rate faster than anticipated causing UK economic growth and increases in inflation, to be weaker than anticipated.
 - Geopolitical risks in Asia, Europe and the Middle East, which could lead to increasing safe haven flows to the UK.
 - Resurgence of the Eurozone sovereign debt crisis due to high level of government debt, low rate of economic growth and vulnerable banking and political systems of certain countries, impacted by the virus crisis.
 - Weak capitalisation of banks, which could be undermined further depending on extent of credit losses resultant of the pandemic.
31. The potential for upside risks especially for longer term PWLB rates include:
- The Bank of England is too slow in its pace and strength of increases in bank rate and, therefore, allows inflation pressures to build up too strongly within the UK economy.
 - Increases in the pace and strength of reversal of quantitative easing.
32. As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two years.
33. The unexpected policy increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure.
34. On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchases of 'assets for yield' in its three year capital programme.

35. The new margins over gilt yields for the Council, following approval of a its certainty rate submission is as follows:

- **PWLB Certainty Rate** is gilt plus 80 basis points
- **PWLB HRA Certainty Rate** is gilt plus 80bps

Gilt yields and PWLB rates have been at remarkably low rates so far during 2020/21. Where there is a borrowing requirement for certainty, there is deemed to be value in borrowing from the PWLB for all maturity periods.

Borrowing Policy

36. Borrowing to pay for capital investment has long-term financial consequences and risks, with decisions taken many years ago impacting currently and in the future in the form of interest and provision for repayment of capital expenditure. Expenditure decisions are assumed in the Capital Strategy and a detailed programme approved by Council with the recurring cost implications factored into Medium Term Financial Plans. All borrowing is undertaken in the name of the Council and secured on all revenues of the Council.
37. The Council can consider various sources and debt instruments to pay for capital expenditure as well as its short term working capital requirements including unexpected cash outflows. This includes the Public Works Loan Board, the financial markets, Municipal Bond Agency, Local Authorities and other public bodies, leases, public private partnership models and the issuing of bonds for significant levels of funding or smaller bond schemes linked to specific themes such as green growth. These are detailed in the Council's Treasury Management Practices and the advantages and disadvantages of such products would need to be considered including risks, track record and cost of issuance, supported by external advice in respect of different options.
38. Best treasury management practice is that loans are not taken on a project by project basis, however this may be a consideration for investment property purchases or similar, where there may be a need to meet specific cash flows or track performance in the short term.
39. The Council's currently maintains a single pool of all Council debt for all activities which will continue to be reviewed to ensure the current approach maintains a 'fair' interest cost for respective activities.
40. Whilst interest rates for borrowing are greater than interest rates the Council receives for investments (the cost of carry), it makes financial sense to use any internal cash balances held in the short-term to pay for capital expenditure and minimise costs (internal borrowing), rather than undertake external borrowing. However, there is a risk that the Council may have to borrow at higher rates when it does actually need to borrow in future and so this position is kept under continuous review and delegated to the Corporate Director Resources.
41. The Council's Borrowing Strategy considers all options to meet the long-term aims of:
 - Promoting revenue cost stability to aid financial planning and avoid a stop-start approach to service delivery, although it is recognised that this may have a financial impact.
 - Pooling borrowing and investments to ensure the whole Council shares the risks and rewards of treasury activities.
 - Ensuring borrowing plans are aligned to known capital expenditure spending plans and financial reserve levels.
 - Achieving a balanced maturity profile.
 - Having regard to the effects on current and future Council Tax and rent payers.

42. The Council does not intend to borrow in advance of need and will not do so just to gain financially. However, this option may be considered if it is felt that borrowing in advance allows opportunities to lock into favourable long-term rates. This will be limited to no more than the expected increase in the Council's borrowing requirement over a three year period.

Prudent Repayment of Capital Expenditure – Annual Minimum Revenue Provision (MRP) Policy Statement for 2021/22

43. Where capital expenditure is paid for using borrowing, the Council has a statutory duty to charge an amount to future revenue budgets for the eventual repayment of that expenditure. This spreads the cost of capital expenditure incurred now, and historically, to future revenue budgets. Decisions in respect of the allocation of MRP have short, medium and very long term impacts across generations.
44. Making minimum and any voluntary provision must be considered to be prudent and results in a reduction in the Council's underlying need to borrow known as the Capital Financing Requirement (CFR). Legislation does not define what constitutes a 'prudent provision'. Instead Welsh Government has provided guidance and examples in order to interpret that term.
45. A statement on the Council's policy for its annual MRP is required to be submitted to Council for approval before the start of the financial year to which the provision will relate.
46. The previous approach to MRP on supported borrowing was based on a reducing balance basis. This was tested and reviewed during 2019/20 and a change in approach adopted whereby current and future generations who make use of assets, will pay an equal and consistent amount of MRP and there is a defined point at which debt will be fully provided. The reduction in revenue resources as a result of the change is proposed to be continued to be made available to strengthen the Local Authority's financial resilience in respect of capital and treasury, through a Treasury Management Reserve.

It is proposed that the Council's MRP Policy to apply for 2021/22 and for future years is as follows, with any change in the level, timing and method of provision in year delegated to the Section 151 Officer:

- *Council expenditure undertaken based on 'supported borrowing' approved by WG is to be provided for on a straight line basis over 45 years.*
- *HRA supported borrowing, which was part of the previous housing subsidy system is to be provided for at 2% on a straight line basis. MRP on the significant £187 million settlement buyout payment is to be on 2% straight line basis as a minimum.*
- *Additional borrowing for a general increase in investment either in the Council Fund or HRA to balance the Capital Programme in a year is to be provided for on a straight line basis over the estimated average life of the assets created.*

Borrowing

- Any additional expenditure linked to specific schemes e.g. Invest to Save/Earn, 21st Century Schools etc. is to be provided for on a straight line basis, or annuity basis, over the estimated useful life of assets being created or a shorter period as determined by the Section 151 Officer or suggested periods determined by Welsh Government as is the case with the Local Government Borrowing Initiative.
- Voluntary revenue provision in excess of the above requirements can be made subject to affordability and following advice of the Section 151 Officer.
- Subject to agreement of the S151 Officer, MRP may be waived on expenditure recoverable within a prudent period of time through capital receipts (e.g. land purchases, loan repayments) or deferred to when the benefits from investment are scheduled to begin or when confirmed external grant payments towards that expenditure are expected.
- The MRP charged against liabilities under finance leases, or contracts that have the characteristics of finance leases, shall be equal to the principal element of the lease repayment, calculated on an annual basis.

Council's Borrowing Requirement

47. The following table shows the actual level of external borrowing currently held by the Council including planned external borrowing in 2020/21 and scheduled loan repayments in future years. It compares this to the projected CFR i.e. the need to borrow based on estimates and timing of the Council's capital expenditure, proposed MRP policy and funding plans as set out in the budget report for 2021/22. The difference between the projected CFR in 2025/26 (£1,299 million) and the actual level of external borrowing after any planned repayments (£767 million) is £532 million, i.e. there is insufficient cash held by the Council to support this projected level of under borrowing and this means there is a requirement for the Council to undertake further external borrowing over the medium term.

Indicator							
Gross External Borrowing and the Capital Financing Requirement							
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m	£m
External borrowing at 1 April	722	828	830	803	780	776	772
Known / New borrowing	110	22	tbc	tbc	tbc	tbc	tbc
Scheduled repayments	(4)	(20)	(27)	(23)	(4)	(4)	(5)
External Borrowing at 31 March	828	830	803	780	776	772	767
Capital Financing Requirement	828	849	945	1,120	1,270	1,297	1,299
Shortfall / (Surplus) borrowing requirement	0	19	142	340	494	525	532
Requirement as % of CFR	0	2.2%	15.0%	30.4%	38.9%	40.5%	40.9%

48. The section below sets out the approach to meeting the known borrowing requirement including use of temporary cash balances, external borrowing, sources of borrowing and timing.

Borrowing Strategy

49. In the short term, continuing with an approach of internal borrowing, using temporary cash balances available will continue to be a cost effective way of meeting part of the borrowing requirement. A high level balance sheet review undertaken suggests that a maximum level of internal borrowing could be circa £80 million (c8% of the 2021/22 CFR).
50. As mentioned previously, the Council will consider various sources and debt instruments to meet the borrowing requirement. The Council continues to qualify for borrowing at the 'Certainty Rate' (0.20% below the PWLB Standard Rate).
51. Given the risks within the economic forecasts, setting a fixed target for the quantum and timing of borrowing is not deemed appropriate. A pragmatic approach will be adopted by Council's Section 151 Officer due to changing circumstances with the following strategy proposed to manage the Council's Capital Financing Requirement:
- Whilst investment rates remain lower than long term borrowing rates internal borrowing will be used to minimise short-term costs.
 - External borrowing (short, medium and long term) will be taken for the balance of the Council's borrowing requirement, with timing delegated to the Council's Section 151 Officer. This will aim to keep internal borrowing to approximately £60 million, subject to balance sheet capacity and future interest rate forecasts.
 - External borrowing is likely to be at fixed rates to meet the long term borrowing policy aims and current forecasts for rates.
52. If there was a significant risk of a sharp rise in long and medium-term rates than that currently forecast, then fixed rate external borrowing may be undertaken sooner to reduce the level of internal borrowing. If there was a significant risk of a sharp fall in rates, then long-medium term borrowing would be deferred, following consideration of internal borrowing capacity.
53. Current interest rates on the Council's existing debt portfolio compared to new borrowing rates and penalty rates charged for early debt repayment, results in limited options for restructuring of debt. Options have previously been considered for early repayment of loans, however the penalties outweighed the benefits. This position is expected to continue to be the case in the next few years.
54. The Council is required to set treasury management indicators as part of the CIPFA Treasury Management Code of Practice 2017 as well as Capital expenditure indicators in the Capital Strategy and overall budget report to consider affordability indicators.

Authorised Limit

55. The Council must set and keep under review how much it can afford to borrow from debt or other long-term liabilities for the forthcoming year and the following two financial years (the Affordable Borrowing Limit). It must have regard to the Prudential Code and locally determined indicators when setting this limit and be content that the impact upon future Council Tax payers and Council tenants is acceptable.
56. The Government retains an option to control either the total of all council's plans, or those of a specific council, although this power has not yet been exercised.
57. Based on the capital programme proposed, it is recommended that the Council approve the following authorised limits (Statutory limit under Section 3 (1) of the Local Government Act 2003) and operational boundaries (figures for 2020/21 are for comparison only). The undertaking of other long-term liabilities, within the overall limit, is delegated to the Section 151 Officer based on the outcome of financial option appraisals and best value considerations.

Indicator						
External Debt - Authorised limit						
	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Limit for external borrowing and other long-term liabilities	1,126	1,316	1,316	1,316	1,316	1,316

58. This limit is consistent with proposals contained within the budget for capital expenditure with the addition of financing and accounting requirements in relation to landfill obligations. The overall limit for the Council has been set at a constant level of £1,316 million for 2021/22 to 2025/26 and cannot be breached without further Council approval.

Operational Boundary

59. The proposed operational boundary or projected level of external debt (excluding landfill) is set at the anticipated level of the CFR at the end of each year.

Indicator						
External Debt - Operational Boundary						
	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Boundary for external borrowing and other long-term liabilities	849	945	1,120	1,270	1,297	1,299

60. This will be subject to the level and timing of borrowing decisions and so the actual level of borrowing can therefore be below or above this initial estimate. However what cannot be breached without a further report to Council is the affordable borrowing limit.

Maturity Structure of Borrowing

61. Limits are set to guard against a large element of the Council's debt maturing and having to be refinanced in a very short space of time, when it may not be economically favourable to do so. The limits have been set to reflect the current debt portfolio, and to allow enough flexibility to enable new borrowing to be undertaken for the optimum period. The table assumes that loans run to their final maturity, however a separate column is also included to show the maturity profile should the Council repay its LOBO loans early.

Indicator				
Maturity structure of borrowing in 2021/22				
	Upper limit %	Lower limit %	Actual to Maturity %	Actual if LOBOs Repaid Early %
Under 12 months	10	0	3.34	6.31
12 months and within 24 months	10	0	2.81	3.43
24 months and within 5 years	15	0	1.61	4.33
5 years and within 10 years	20	0	8.12	8.12
10 years and within 20 years	30	0	21.51	21.51
20 years and within 30 years	35	0	21.03	19.55
30 years and within 40 years	35	0	26.32	26.32
40 years and within 50 years	35	0	14.64	10.43
50 years and within 60 years	15	0	0.62	0.00
60 years and within 70 years	5	0	0.00	0.00

Treasury Investment Policy

62. The Council has regard to the CIPFA Treasury Management Code and also complies with Welsh Government guidance on investments. The Council's investments include those arising from its own temporary cash balances as well as balances held from the activities of Joint Committees for which it is the Accountable body.
63. The Council recognises that given the nature of investments, a trade-off between security, liquidity and yield cannot be avoided i.e. there is risk of default. The Council's risk appetite for treasury investments is low and its current business model for financial assets for treasury management investments is to collect contractual cash flows as part of the prudent management of its financial affairs. It aims to achieve the optimum return on investments commensurate with proper levels of security and liquidity. Risk will be contained by ensuring:
- All investments and repayments are in sterling.
 - Investment instruments identified for use in the financial year are listed under 'Specified' investments and 'Non-Specified' investment categories, dependant on their complexity and risk.
 - A list of highly credit worthy counterparties with whom to invest is created and monitored.
 - Diversification of approach, investment product and counterparties are sought where possible to avoid concentration of risk.
 - Any set limits are implemented with immediate effect following approval of this Treasury Management Strategy by the Council.
 - Continual monitoring of treasury activities with the categories of investments that may be used, the credit criteria and associated limits in determining with whom to invest and timing of decisions being delegated to the S151 Officer.
64. The Markets in Financial Instruments Directive (MiFID II) was implemented from 3 January 2018. Where requested by counterparties to do so, the Council has opted up to be classed as a 'professional' client following the submission of qualitative and quantitative information on its treasury activities.
65. Economic, Social and Governance issues are important to the Council and can play an important part in long term investments decision making. However the key aim for the treasury management of temporary cash balances is Security, Liquidity and then Yield for short term cash balances. Accordingly, consideration of wider ethical issues are not currently a key factor in the options for placing of short term cash balances.

Treasury Investment Strategy

66. The Council will retain access to a range of products and organisations available to manage short term investment balances and to achieve diversification. It uses Welsh Government guidance and judgements to define products available for use as specified or non specified and sets credit criteria to mitigate credit risk. These are defined in the sections below. Any funds held by the Council on behalf of joint committees will be managed in accordance with this strategy.

Treasury Management Investments

67. Financial institutions entered the pandemic with strong balance sheets predominantly a result of regulatory changes imposed on banks following the Financial Crisis. All three rating agencies have reviewed banks around the world with similar results in many countries of most banks being placed on Negative Outlook, but with a small number of actual downgrades.
68. The ability to change credit criteria and the approach to investments is delegated to the S151 Officer. This allows a prompt response to uncertainties in financial markets, with the Council being kept informed of significant changes through the various reports it receives on treasury activities during the course of the year.
69. The Council aims to have sufficient liquid funds to ensure it does not become a forced borrower for a significant period of time at rates in excess of what may be earned on such investments. Short term cash flow forecasts and a longer term balance sheet review is undertaken as part of the calculation of Prudential Code indicators to determine maximum periods for investments.

Specified Investments

70. A specified investment is defined as one:
- which is in straightforward easily understood low risk products
 - not involving corporate share or loan capital
 - where the principal sum to be repaid at maturity is the same as the initial principal sum invested.
71. Specified investments may comprise up to 100% of the Council's total investments.

Instruments approved for use	Minimum Credit Criteria
Term deposits – UK government and other Local Authorities	Assumed Government Guarantee
Term deposits – banks and building societies up to one year	Long-term A- /Short-term F1 or Government Equity Support

Non-Specified Investments

72. These are all other investments not meeting the definition of a specified investment which could be used in order to achieve diversification and manage liquidity needs. A maximum upper level of £100 million is to be set for non-specified investments including investments for greater than one year (**Required Prudential Indicator**).

Treasury Management Investments

Instruments approved for use	Min Credit Criteria	Max % of total investments	Max. maturity period
Term deposits – banks and building societies (with maturities in excess of 1 year)	Long-term AA- /Short-term F1+ or part nationalised	30	2 Years
Term deposits with variable rate and variable maturities in excess of 1 year e.g. structured investment products	Long-term AA- /Short-term F1+	10	2 Years
Certificates of Deposit	Long-term AA- /Short-term F1+	10	Maximum 2 year duration
UK Government Gilts and Gilt funds	Assumed Government Guarantee	40	Maximum 3 year duration
Treasury Bills	Assumed Government Guarantee	40	6 months
Collective Investment Scheme structures – Constant as well as Low Volatility Money Market Funds	AAA – (Fitch, Moody's or S&P)	100	Liquid
Collective Investment Scheme Structures – Ultra Short Dated Bond Funds	AAA - (Fitch, Moody's or S&P)	20	Liquid
Collective Investment Scheme Structures - Government Bond Funds, Corporate Bond Funds, Gilt Funds and Floating Rate Notes	AA-	10	Weighted Average Maturity 3 years

73. The Council can utilise collective investment funds which pool together investments in a diversified portfolio of products and sectors. These may include short-term money market instruments such as bank deposits, certificates of deposit, government guaranteed bonds, corporate bonds and commercial papers, together with a weighted average maturity of up to 60 days. It should be noted that any such funds are triple A rated and allow instant access.

Security / Creditworthiness Policy

74. The Council uses Fitch credit ratings as a basis for assessment of credit worthiness of institutions it will invest with. Changes in the criteria and decisions with whom to invest are delegated to the S151 Officer. Commercial organisations (counterparties) on its approved list will have at least the short-term credit rating of F1 and be authorised institutions within the meaning of the Financial Services and Markets Act 2000. The rating F1 infers “Highest Credit Quality” - the strongest capacity for timely payment of financial commitments.
75. Whilst Fitch ratings form the basis of the Council's threshold criteria, the Council will also have regard to the following when determining with whom to invest:

- rating updates provided by treasury advisors in respect of all three credit rating agencies, as well as other market data
- media reports as well as sovereign credit ratings. No minimum sovereign rating is applied to the UK, however for non UK based institutions the minimum Fitch sovereign rating is AA-
- the informed judgement of treasury staff and treasury management advisors after consideration of wider economic factors
- financial sector and country exposure
- the extent to which organisations who do not meet the above criteria, are nationalised.

76. Local authorities usually do not have a credit rating, but are expected to assume the UK Sovereign rating. In accordance with the Local Government Act 2003, a person lending money to a local authority shall not be bound to enquire whether the authority has power to borrow the money and shall not be prejudiced by the absence of any such power. All loans are secured on future revenues of local authorities and this includes the ability to take legal action if any debts are not repaid. As demonstrated in benchmarking of treasury management investments, inter local authority lending is a significant option being used for short term investment balances, and is an option that continues to be available as part of the strategy proposed.
77. The Council's lending list for direct investment in an organisation is based on the following credit criteria, with the maximum limit for direct investment in any one group of related companies, whether ring fenced or otherwise, being £20 million:

Fitch Ratings (minimum)	Long term	Short term	Limit £m
Overnight to three months	A-	F1	6
Overnight to one year	A	F1	12
Overnight to two years	AA-	F1+	15
UK Part Nationalised Banks overnight to two years	n/a	n/a	20

78. Where treasury advisors recommend a shorter duration than would be allowed in accordance with Fitch criteria above, then the shorter period is adhered to.

The Council's current list of approved counterparties is shown below:

	£m	Duration
Australia AAA		
Australia and New Zealand Banking Group	12	1 year
Commonwealth Bank of Australia	12	1 year
National Australia Bank	12	1 year
Canada AAA		
Canadian Imperial Bank of Commerce	15	2 years
National Bank of Canada	12	1 year
Toronto Dominion Bank	15	2 years
France AA		
Credit Industriel et Commercial	12	1 year
Societe Generale	6	3 Months

Treasury Management Investments

Germany AAA		
Bayerische Landesbank	6	3 Months
DZ Bank (Deutsche Zentral-Genossenschaftsbank)	15	2 years
Landesbank Hessen-Thüringen Girozentrale	12	1 year
Netherlands AAA		
Coöperatieve Rabobank U.A.	12	1 year
Singapore AAA		
DBS Bank	15	2 years
Oversea Chinese Banking Corporation	15	2 years
United Overseas Bank	15	2 years
Sweden AAA		
Skandinaviska Enskilda Banken	15	2 years
Switzerland AAA		
UBS AG	15	2 years
U.K AA		
Barclays Bank (NRFB)	12	1 year
Goldman Sachs International Bank	12	1 year
Handelsbanken	15	2 years
HSBC Bank plc (RFB)	15	2 years
Santander UK plc	12	1 year
SMBC Bank International Plc	12	1 year
Standard Chartered Bank	12	1 year
Bank of Scotland (RFB)	12	1 year
Lloyds Bank (RFB)	12	1 year
National Westminster Bank (RFB)	20	2 years
Royal Bank of Scotland (RFB)	20	2 years
Coventry BS	6	3 months
Leeds BS	6	3 months
Nationwide BS	12	1 year
Skipton BS	6	3 months
Yorkshire BS	6	3 months
UK Local Authority (Per Authority)	15	2 Years
Debt Management Agency Deposit Facility	n/a	6 months
Money Market Funds		
Aberdeen Liquidity Fund	12	Liquid
BlackRock ICS Sterling Fund	12	Liquid
Deutsche Managed Sterling Fund	12	Liquid
Fidelity GBP ICF	12	Liquid
Goldman Sachs Sterling Reserves Fund	12	Liquid
HSBC GBP Liquidity	12	Liquid
Insight Sterling Liquidity Fund	12	Liquid
JPMorgan GBP Liquidity LVNAV	12	Liquid
LGIM Sterling Liquidity Fund	12	Liquid

* In respect of the Council's day to day banking provider, there is a risk that the counterparty limit would be exceeded for a short period on receipt of unexpected funds.

79. The above list has been determined having regard to current participation in the financial markets and brokerages, sovereign countries whose banks we would be content to use and selecting some of their highest rated organisations.
80. The continued impact of Covid 19, implications arising from Brexit and the UK's own sovereign rating on the credit ratings of financial institutions are monitored regularly through use of the treasury management advisor's credit service. If a downgrade results

Treasury Management Investments

in the counterparty or investment scheme no longer meeting the Council's criteria, its further use for new investment will be withdrawn immediately. Investments already held with that counterparty will be reviewed and options to call back funds before maturity would be investigated. It should be noted that any early repayment is only at the discretion of the borrower and often at a penalty.

81. In addition to treasury management investment activity, local authorities can utilise their powers to borrow in order to invest in other financial assets. Such activity includes loans supporting service outcomes, investment in or loans to subsidiaries, and investment property portfolios primarily for a financial return. Whilst these impact on treasury management activity, they are managed outside of this Treasury Management Strategy and approved separately as part of the Council's Capital expenditure plans arising from its Capital Strategy. Regulator concerns in relation to the extent of this activity have resulted in recent updates to CIPFA professional Codes of Practice including the Treasury Management Code. Whilst no national monetary, financial or other controls or limits are in place currently, regulations have been updated to ensure the risks and implications of such activities are clearly governed and understood over a long term period.
82. The most significant investments currently held by the Council and managed outside of normal treasury management activity are the Council's 100% shareholding in Cardiff Bus, the Council's investment properties, which include various historic freeholds within the City held for income generation or capital appreciation. The Council has also recently secured the Red Dragon Centre site as the basis for developing an Arena and the start of a significant regeneration initiative.
83. Investment for non-treasury management purposes requires careful investment management. Any previous and future proposals for such investments form part of the approved Capital Strategy and Capital Programme, setting out where relevant, the risk appetite and specific policies and arrangements for non-treasury investments. This will include an appropriate investment management and risk management framework, making it explicit in any decision making:
- The powers under which investment is made.
 - The governance process including arrangements in place to ensure appropriate due diligence to support decision making.
 - The extent to which capital invested is placed at risk.
 - proportionality of any income to resources available to the Council
 - The impact of potential losses on financial sustainability.
 - The methodology and criteria for assessing performance and changes to market and other conditions.
 - How knowledge and skills in managing such investments is arranged and that these are monitored, reported and highlighted explicitly in the decision making process and due diligence.
 - Creation of Treasury Management Practices which specifically deal with how non-treasury investments would be carried out and managed.
84. Where investment is undertaken in assets and property primarily for financial return, these investments should be proportional to the level of resources of the authority and consistent with CIPFA guidance. This guidance emphasises the importance of the Council's S151 (Responsible Finance) Officer role in reviewing and informing decisions being made in relation to non-treasury Investments.

85. Treasury staff directly and regularly involved in borrowing and lending activities are provided access to a wide range of training. This includes seminars and workshops organised by treasury advisors bringing together practitioners from different authorities; seminars organised by CIPFA and other national bodies; regular contact with a client relationship manager as well as their briefing notes and articles. Staff responsible for treasury activity on a day to day basis have a recognised accountancy qualification and are encouraged to undertake relevant treasury management training.
86. Audit Committee Members who are responsible for reviewing and seeking assurance on treasury management activities have also been provided with the opportunity for specific internal and external training. The development of further training will be informed by individual and collective Audit Committee self- assessments.

Glossary of Terms

Bank Rate

The rate of interest set by the Bank of England as a benchmark rate for British banks.

Bonds

A long-term debt security issued by a company, a financial institution, a local authority, national government or its affiliated agencies. It represents an undertaking to repay the holder the fixed amount of the principal on the maturity date plus a specified rate of interest payable either on a regular basis during the bond's life (coupon) or at maturity.

Borrowing

Loans taken out by the authority to pay for capital expenditure or for the prudent management of the Council's financial affairs, which are repayable with interest.

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 as amended. Statute relies on the accounting measurement of cost in International Accounting Standard (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 (CFR)

An authority'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.

Capital Market

A market for securities (debt or equity), where companies and governments can raise long-term funds (periods greater than one year). The raising of short-term funds takes place on other markets (e.g. the money market).

Capital Programme

The Capital Programme sets out the Council's capital expenditure plans for the forthcoming financial year as well as for the medium term. It is approved annually at Council and identifies the estimated cost of those schemes, their projected phasing over financial years as well as the method of funding such expenditure.

Certificates of Deposits (CDs)

A certificate issued for deposits made at a deposit-taking institution (generally a bank). The bank agrees to pay a fixed interest rate for the specified period of time, and repays the principal at maturity. CDs can be purchased directly from the banking institution or through a securities broker. An active interbank secondary market exists to buy and sell CDs.

Chartered Institute of Public Finance & Accountancy (CIPFA)

CIPFA is the professional body for accountants in public finance. As a specialised public services body, it provides information, guidance, and determines accounting standards and reporting standards to be followed by Local Government.

Collective Investment Scheme Structures

Schemes whereby monies from a number of investors are pooled and invested as one portfolio in accordance with pre-determined objectives.

Corporate Bonds

Bonds that are issued by a company or other non-government issuers. They represent a form of corporate debt finance and are an alternative means of raising new capital other than equity finance or bank lending.

Counterparty

One of the parties involved in a financial transaction with whom the Council may place investments.

Counterparty / Credit Risk

Risk that a counterparty fails to meet its contractual obligations to the Council to repay sums invested.

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 Default Swaps

A financial transaction which the buyer transfers the credit risk related to a debt security to the seller, who receives a series of fees for assuming this risk. The levels of fees reflect the perceived level of risk.

Credit Rating

A credit rating assesses the credit worthiness of an individual, corporation, or even a 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. Ratings usually consist of a long-term, short term, viability and support indicators. The Fitch credit rating of F1 used by the Council is designated as "Highest Credit Quality" and indicates the strongest capacity for timely payment of financial commitments.

Debt Management Account Deposit Facility (DMADF)

The Debt Management Office provides this service as part of its cash management operations and of a wider series of measures designed to improve local and central government's investment framework and cash management. The key objective of the DMADF is to provide users with a flexible and secure facility to supplement their existing range of investment options while saving interest costs for central government.

Debt Restructuring

Debt restructuring is a process that allows an organisation to reduce, renegotiate and undertake replacement debt.

Diversification of Investments

The process of creating a portfolio of different types of financial instruments with regard to type, price, risk issuer, location, maturity, etc. in order to reduce the overall risk of the portfolio as a whole.

Duration (Maturity)

The length of time between the issue of a security and the date on which it becomes payable.

External Borrowing

Money borrowed from outside of the Council.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Typical financial liabilities are borrowing and financial guarantees. Typical financial assets include bank deposits, amounts owed by customers, loans receivable and investments.

Fitch Credit Ratings

A commercial organisation providing an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. The opinion is usually provided in the form of a credit rating.

Fixed Rate

An interest rate that does not change over the life of a loan or other form of credit.

Floating Rate Notes

A money market security paying a floating or variable interest rate, which may incorporate a minimum or floor.

Four Clauses of Treasury Management

In compliance with the First Clause, this Council will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
- Suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

In compliance with the Second Clause, this Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy in advance of the year, a mid year review and an annual report after its close, in the form prescribed in its TMPs.

In compliance with the Third Clause, this Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Corporate Director Resources in accordance with existing delegations, who will act in accordance with the organisation's policy statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

Glossary of Terms

In compliance with the Fourth Clause, this Council requires the scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy and Practices to be undertaken by the Council's Audit Committee due to the technical nature of the documents.

Fraud / Error Risk

Risk of losses being incurred as a result of fraud, error or corruption in treasury management and failure to institute adequate systems, procedures and other arrangements to prevent irregularities.

Housing Revenue Account (HRA)

The HRA is an account of expenditure and income that every local authority housing department must keep in accordance with the Local Government & Housing Act 1989. The account is kept separate or ring fenced from other Council activities. Income is primarily generated by the rents and service charges paid by tenants, while expenditure is on the management and maintenance of the housing stock, and capital financing charges on the HRA's outstanding loan debt.

Interest Rate Risk

Risk that fluctuations in interest rates could impose extra costs against which the Council has failed to protect itself adequately.

Internal Borrowing

Money borrowed from within the Council, sourced from temporary internal cash balances.

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.

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.

Liquidity

The ability of the Council to meet its financial obligations as they fall due.

Market Loans

Borrowing that is sourced from the market i.e. organisations other than the Public Works Loan Board or a Public Body.

Medium Term Financial Plan

Plan outlining the financial strategies and actions that are envisaged by the Council in the medium term regarding the budget.

Markets in Financial Instruments Directive (MiFID)

EU legislation that regulates firms who provide financial instrument services. MiFID was applied in the UK from November 2007, but was revised with changes taking effect from **3 January 2018** (MiFID II).

Glossary of Terms

The aim is to ensure financial institutions undertake more extensive checks on their client's suitability for investment products. Organisations undertaking investments will be either classified as 'retail' or 'professional'.

MiFID II requires all Local Authorities to be initially treated as "retail clients" unless they "opt up" to a "professional client". The assumption being that retail clients require a greater level of due diligence and support for investment decision making. Financial institutions will owe a greater duty of care to retail clients, however, they will have no greater financial protection than professional clients.

Minimum Revenue Provision (MRP)

This is the amount which must be charged to the authority's revenue account each year and set aside as provision for repaying external loans and meeting other credit liabilities. The prudent amount is determined having regard to guidance issued by WG. This has the effect of reducing the Capital Financing Requirement (CFR).

Money Market

The market for short-term securities or investments, such as certificates of deposit, commercial paper or treasury bills, with maturities of up to one year.

Money Market Funds

An investment fund which pools the investments of numerous depositors, spreading those investments over a number of different financial instruments and counterparties. Funds with a Constant Net Asset Value (CNAV) are those where the sum invested is the same on maturity, Low Volatility Net Asset Value (LVNAV) are those where any sum invested is likely to be the same on maturity. Funds with a Variable Net Asset Value (VNAV) are those where the sum on maturity could be higher or lower due to movements in the value of the underlying investments.

Net Asset Value (NAV)

The market value of an investment fund's portfolio of securities as measured by the price at which an investor will sell a fund's shares or units.

Pooling

The process whereby investments or loans are held corporately rather than for specific projects or parts of the Council, with recharges to those areas for their share of the relevant income and expenditure using an agreed methodology, where such a recharge is required to be made.

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.

Public Works Loans Board (PWLB)

The Public Works Loans 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.

Glossary of Terms

Refinancing Risk

Risk that maturing borrowing or other financing of capital projects cannot be renewed on terms that reflect existing assumptions and that the Council will suffer extra costs as a result.

Regulatory Risk

Risk that actions by the Council or by any person outside of it are in breach of legal powers or regulatory requirements resulting in losses to the Council, or the imposition of extra costs.

Ring Fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

Security

Protecting investments from the risk of significant loss, either from a fall in value or from default of a counterparty.

Sovereign Credit Ratings

The credit rating of a country. It indicates the risk level of the investing environment of a country, taking into account political risk and other factors.

Sterling

The monetary unit of the United Kingdom (the British pound).

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 management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

Treasury Bills

Debt securities issued by a government with a short-term maturity of up to 6 months.

Glossary of Terms

UK Government Gilts

Fixed-interest debt securities issued or secured by the British Government. Gilts are always denominated in sterling though the Government occasionally also issues instruments in other currencies in the Eurobond market or elsewhere.

Variable Rate

An interest rate that changes in line with market rates.

Yield

The annual rate of return paid out on an investment, expressed as a percentage of the current market price of the relevant investment.

Audit Committee Action Plan

Agenda Item 12

(Updated following meeting held on 17 November 2020)

Minute No. /Agenda No.	Actions	Timeline	Action Owner
Finance (Budget)			
20.10.20	Audit Committee to receive the main narrative and numerical presentation adjustments throughout the accounts as highlighted by Audit Wales in Appendix 3 of the ISA 260 (Audit of Accounts Report 2019/20 – The County Council of the City and County of Cardiff)	Completed circulated 06.01.21	AH
20.10.20	Following the 19/20 year-end stock check, Audit Committee to receive a briefing on the stock held by Cardiff Harbour Authority and the process for recording and verifying stock.	Completed circulated 07.01.21	AH
08.09.20	Audit Committee to receive the policy requirements for severance considerations and approval.	Completed circulated 07.01.21	AH
Governance & Risk Management			
21.01.20	Audit Committee to receive information on the process and timescale for developing any guidance in relation to the Local Government and Elections (Wales) Bill, if and when they emerge.	Completed statutory guidance consultation circulated 27.11.20	CP
21.01.20	The Head of Finance to provide an aggregated action plan of the future generation significant governance issue responses from directorates.		IA
Audit Wales (AW)			
Internal Audit			
25.06.19	Audit Manager to meet with Corporate Communications Officers, to consider opportunities to communicate the outcomes of Internal Audit, and its work more widely.	Completed 06.01.21 section developed on Council website for relevant information and reports	CP
Treasury Management			
Operational Items			
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.		
28.07.20	Audit Committee to engage with the Director of Education and Lifelong Learning as part of its work programme.		

Work Programme			
AW Tracker/Other Studies			
Outstanding Actions			
Correspondence			
08.09.20	The Committee requested that at least annually, Audit Committee to receive a listing of forthcoming external assurance / regulatory / inspection reports, the assurance ratings of reports received, and an indication of progress in the delivery of improvement actions.	Ongoing Initially, Audit Wales 'Recommendation Tracker' item to be received on 26 January 2021	GN
Scrutiny Letters			

Audit Committee Work Programme 2020-21

Agenda Item: 14

1. Current Work Programme 2020/21:

Area	Tuesday 28.07.20 at 2pm (Remote Meeting)	Tuesday 08.09.20 at 2pm (Remote Meeting)	Tuesday 20.10.20 Special Audit Committee Meeting	Tuesday 17.11.20 at 2pm (Remote Meeting)	Tuesday 26.01.21 at 4.30pm (Remote Meeting)	Tuesday 23.03.21 at 2pm (Remote Meeting)	Tuesday 08.06.21 at 2pm - TBC
Audit Wales (AW)		Draft Statement of Accounts 2019/20 for Cardiff Council including; Cardiff Harbour Authority and Trust Funds	Audit of Accounts Reports (ISA 260) For Financial Year 2019/20		Annual Audit Summary Report <i>(formerly known as Annual Improvement Report)</i>	Annual Audit Plan 2021	
		Draft Statement of Accounts 2019/20 for Cardiff & Vale of Glamorgan Pension Fund				Cardiff & Vale Pension Fund Audit Plan 2021	
	AW Activity/Report Progress Update	AW Activity/Report Progress Update			AW Activity/Report Progress Update	AW Activity/Report Progress Update	AW Activity/Report Progress Update
Treasury Management		Performance Report		Performance Report	Performance Report	Performance Report	Performance Report
		Annual Report		Half Year Report	Draft Strategy 2021/22	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	Financial Update including Resilience Issues
		Draft Statement of Accounts 2019/20		Financial Sustainability of Local Government as a Result of the COVID-19 Pandemic: AW Report & Cardiff Council Management Response		Statement of Accounts 2020/21: Accounting Policies and Timescales	Draft Statement of Accounts 2020/21 (including the AGS)
				Commercialisation in Local Government: AW Report & Cardiff Council Management Response			
Internal Audit	Audit and Investigation Team - Progress Update			Audit and Investigation Team - Progress Update	Audit and Investigation Team - Progress Update	Audit and Investigation Team - Progress Update	Audit and Investigation Team - Progress Update
	Internal Audit Annual Report 2019/20	Counter-Fraud Annual Report 2019/20			Draft Audit Charter and Draft Summary Audit Plan 2021/22	Audit Charter and Audit Plan 2021/22	Internal Audit Annual Report 2020-21
		Counter-Fraud AW National Report: 'Raising Our Game - Tackling Fraud in Wales' – & Cardiff Council Management Response		Draft Anti-Money Laundering Policy	Draft Monitoring Employees at Work Policy		
Governance and Risk Management	Audit Committee Annual Report 2019/20					Draft Audit Committee Self-Assessment Feedback/Action Plan	Audit Committee Annual Report 2020/21
	Draft Annual Governance Statement 2019/20					Draft Annual Governance Statement (AGS) 2020/21	
	Senior Management Assurance Statement Review 2019/20				Senior Management Assurance Statement and AGS Action Plan 20/21 (Mid-Year)		Senior Management Assurance Statement Review 20/21
	Corporate Risk Management Year-End			Corporate Risk Management 2020/21 (Mid-Year)	External Audit Recommendation Tracker	Corporate Risk Management (Quarter 3)	Corporate Risk Management (Year-End)
Operational Matters / Key Risks / Other				Ian Arundale – Leave of Absence Request	Sarah McGill - Update on Social Services Control Environment	TBC - Chief Executive – Update on the Council's Control Environment	TBC - Director – Update on Directorate Control Environment
				Audit Committee Meeting Times		TBC - Director – Update on Directorate Control Environment	

2. Matters to be addressed outside of formal Audit Committee meetings during 2020/21:

Audit Committee <ul style="list-style-type: none"> Annual self-assessment workshop (26.01.2021) Training and development sessions. 	General <ul style="list-style-type: none"> Correspondence, publications and reports for information purposes Time sensitive consultation. 	Director / Senior Officer Assurance <ul style="list-style-type: none"> Use of letters, correspondence, and video / telephone meetings as necessary.
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Mae'r dudalen hon yn wag yn fwiadol