

## GOVERNANCE AND AUDIT COMMITTEE

20 JULY 2021

Present: Hugh Thomas(Chairperson)  
Gavin McArthur and David Price  
Councillors Cowan, Howells, K Jones and Williams

### 1 : APPOINTMENT OF CHAIRPERSON AND DEPUTY CHAIRPERSON

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

As D. Hugh Thomas was experiencing technical difficulties it was agreed that Gavin McArthur take the chair for the meeting.

### 2 : APOLOGIES FOR ABSENCE

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

### 3 : DECLARATIONS OF INTEREST

No declarations of interest were received.

### 4 : MINUTES

The minutes of the meeting held on 23 March 2021 were approved as a correct record, subject to the following amendment:

Page 6 – final paragraph delete ‘Sector’ and replace with ‘Service’.

The Chairperson informed the Committee that he has met with the Chief Executive to discuss the division of responsibilities between Governance and Audit Committee and Scrutiny. A report will be brought to a future meeting of the Governance and Audit Committee.

RESOLVED – That the Committee receive an update report in respect of the working relationship between Governance and Audit Committee and the Scrutiny Committees at a future meeting.

### 5 : INTERNAL AUDIT ANNUAL REPORT 2020/21

The Committee received a report on the Internal Audit Annual Report 2020/21. Members were asked to note that the Committee’s Terms of Reference required Members to consider the Audit Manager’s annual report and the areas to consider when reviewing the annual report, including an opinion on the adequacy and effectiveness of the Council’s framework of governance, risk management and control; a summary of the work supporting the opinion, a statement on the level of conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local

Government Application Note (LGAN); and results of the Quality Assurance and Improvement Programme (QAIP) that support the statement. Details of these elements were contained within the annual report.

The report provided a summary of the approach taken to internal audit during the year through the approval of the Audit Plan and quarterly progress reporting arrangements. The Audit opinion was set out within the annual report and this will be included within the Council's Annual Governance Statement. Members were asked to note the relevant issues.

The report outlined the targeted delivery of the Plan was set at 60% for the year. A lower target was set in anticipation of the range of difficulties associated with the Covid-19 pandemic. The Committee was reminded that the Audit Plan and approach to delivery were adapted in order to target assurance on key risks and controls and provide an adequate body of assurance work to support a full annual opinion on the Council's control environment. Decisions in respect of the Plan were made with appropriate attention to risk, professional standards and the advice of professional and peer officers. The annual opinion for 2020/21 is 'effective with opportunity for improvement'.

Members were advised that during the year Internal Audit completed 75 new audit engagements at least to draft output stage, and finalised a further 32 draft outputs from the prior year. A total of 478 recommendations were agreed of which 137 were implemented before the year-end. The level of recommendations implemented on time has increased on the previous year to 69%, but further improvements are considered necessary.

The report also provided a summary of the professional development of the Audit Team and indication of the qualifications undertaken by the Team during the year.

The Chairperson commended the Team on the pragmatic approach to delivering the annual report, which enabled an opinion to be delivered during challenging times.

A Councillor raised concerns in relation to the major improvements needed and unsatisfactory ratings within Waste Management and Social Services. Members asked whether those matters would be subject to a further report at a future meeting of the Committee. The Audit Manager advised that a number of follow up audits have been completed in these areas, particular in regards to waste management in which an improving assurance opinion has been noted. The Audit Manager referred to the recent confidential briefing that the Committee had received on waste management assurance and the follow up arrangements in place associated with the assurance audit opinion. Committee was advised that there were a number of ways that they could further explore relevant issues. For example, issues could be addressed with the relevant Director's as part of the Committee's engagement with senior officers, or Internal Audit could provide additional briefings from its ongoing work.

The Committee requested that in light of the number of issues identified within the Waste Management service area, officers convene an additional meeting of the Governance and Audit Committee. The meeting would focus on Governance,

Internal Control and Risk Management within Waste Management be scoped within the authority of the Committee's Terms of Reference.

RESOLVED – That:

- (1) the Committee notes the Annual Report (including the Audit Manager's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control);
- (2) the Committee agreed to convene an additional meeting with a single item on the agenda – Governance, Internal Control and Risk Management within Waste Management scoped within the authority of the Committee's Terms of Reference on a date to be agreed.

## 6 : AUDIT AND INVESTIGATION TEAM PROGRESS REPORT

The Committee received the Internal Audit and Investigation Team Progress Report.

The Internal Audit Progress Report (Annex 1) set out performance in relation to the Internal Audit Plan. It summarised 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 Governance and Audit Committee. Members were advised that no 'unsatisfactory' audit opinions have been provided over the reporting period.

The Investigation Team Progress Reports (Annex 2) focused on proactive and reactive fraud awareness, detection and investigation activities, including participation in initiatives, such as National Fraud Initiative (NFI) data matching exercises.

The Audit Manager provided a summary of the main issues identified in the report.

Members asked whether the Internal Audit and Investigation Team had sufficient resources to achieve the activities set out in the Audit Plan during the current year. The Audit Manager advised that given the relatively small size of the team, there is a particular impact on audit delivery when there are cases of long-term sickness or vacant posts, and there had been both during quarter one. Committee was advised that the position would be monitored during the year, but at present there are no material concerns with regards to performance over the year as a whole, as a Principal Auditor vacant post has been appointed to, which should support improved delivery of the Audit Plan during quarter two and thereafter.

RESOLVED - -That the report be noted.

## 7 : FINANCIAL UPDATE INCLUDING RESILIENCE ISSUES

The Corporate Director Resources provided a verbal update on current issues, the Medium Term Financial Plan and other financial resilience issues.

Members were advised that the Covid Hardship Support funding has been confirmed to end of September 2021. Beyond that a recent WLGA survey indicated that there

was potential for Covid-19 related expenditure to up to £13 million and a loss of income of between £8 million and £12 million. Ongoing risks were considered to be significant.

Recent budget challenge sessions have been held focussing on the in-year position, budget hotspots within directorates, 2022/23 savings proposals, critical modelling for the medium term and capital spend.

The Corporate Director provided a summary update on the Medium Term Financial Plan. Members were asked to note the increasing funding pressures, a potential funding gap of £80 million over the next four years and the underlying issues affecting these. Members also received a risk assessment of the Covid-19 impacting on the budgetary position.

Members noted the employee related budget gap. The Corporate Director was asked to explain the assumptions and approach used to forecast the budget gap in terms of staffing levels and annual salary increases. Secondly, in terms of addressing the budget gap, Members asked what plans were in place or considerations were being given to tackling staff cost driven elements of the funding gap in terms of staff reductions, remuneration and pension costs, and in particular whether the pension scheme was affordable.

The Corporate Director stated that some assumptions are made in terms of pay increases for both teaching staff and other staff. Current assumptions are 2.0% for teaching staff and 1.5% p.a. for non-teaching staff. Non staff reduction targets are set but detailed workforce planning is undertaken and budgets are underpinned by workforce schedules and plans. Where numbers can be proactively managed down they will be. The pension scheme for non-teaching staff is managed across a number of participating bodies. Employer contribution rates are set in accordance with individual salaries. Members were advised that the LGPS is performing well. Levels of remuneration are set in accordance with a fixed grading structure and there were no plans to review the structure currently. Gradings of posts are reviewed through an agreed job evaluation scheme.

Members were asked to note that the last pension fund valuation resulted in a reduction in the rate of employer contributions as a result of the investments made by the pension fund during the period. Employer pension contributions are the subject of regular discussions with the actuary. The Pension Committee, Pension Panel and Pension Board provide governance and challenge in relation to performance of the fund. The Corporate Director considered that the question of affordability have been addressed nationally as part of the review of the Local Government Pension Scheme and the benefits provided by the scheme for both employers and employees are clear.

## 8 : DRAFT STATEMENT OF ACCOUNTS 2020/21

The Committee received a report providing Members with an opportunity to review and provide comments on the draft Statement of Accounts 2020/21 for both Cardiff Council (including Cardiff Harbour Authority) and the Cardiff and Vale of Glamorgan Pension Fund. Members were advised that the accounts were signed by the

Responsible Finance Officer on 15 June and 22 June respectively and are currently the subject of external audit and the public inspection period.

Officers advised that audit opinion would be received and the accounts would be finalised in October prior to approval of the accounts by Council. However, the accounts, audit opinions and any issues raised would first be considered by the Governance and Audit Committee. Any questions raised by the Committee or arising from the public inspection period ending on 4 August 2021 would be responded to in full and circulated to Members of the Committee.

Members sought clarification of the consequences should one of the bodies participating in the pension scheme fail financially in terms of any pension debt associated with the body and the liability for the any debt. Officers agreed to provide a detailed response to the question after the meeting. Members requested that the response specifically address how liability for pension debt would be shared between the participating bodies.

Members referred to the draft Statement of Accounts and noted that a payment was made to Chief Human Resources Officer as 'compensation for loss of employment'. Members sought assurance and an explanation on this payment as it was understood that the post of Chief Human Resources Officers was not deleted from the establishment. The Corporate Director agreed to provide a response to the Committee following the meeting.

RESOLVED – That:

- (1) notes the draft Statement of Accounts for 2020/21;
- (2) notes the audited Statement of Accounts 2020/21 will be reviewed by the Committee prior to being presented to Council;
- (3) the following will be circulated to the Committee:
  - Response to be provided on how any pension liability, resulting from the business failure of any member, would be spread between the members of the pension fund
  - Response to questions raised regarding the Statement of Accounts to be circulated to all Members of the Committee
  - Response to be circulated on the 'Compensation for Loss of Employment' Chief HR Officer note within draft Statement of Accounts 2020/21

9 : AUDIT COMMITTEE ANNUAL REPORT 2020/21

The Committee received the draft Audit Committee Annual Report 2020/21. The draft annual report had been prepared in consultation with the Chair and Deputy Chair and contained details of the Committee's role, self-assessment information, key observations and opinions on the Council's control environment and areas for attention in the year ahead. The draft Audit Committee Annual Report 2020/21 was

prepared in accordance with the responsibilities set out in the Committee's Terms of Reference.

Members were advised that the Committee received feedback from senior officers who attended meetings with during the last municipal year. Feedback ratings were received in respect of 'performance', 'discussion and engagement' and 'assurance and influence' details of which were contained within the Audit Committee Annual Report 2020/21. Ratings of 'good' or 'excellent' were received across all areas reviewed by respondents.

Accompanying the feedback ratings were narrative comments, and these were reviewed by the Chair of the Governance and Audit Committee and the Audit Manager following the municipal year-end. A meeting was arranged with colleagues in Audit Wales to discuss their comments, and a draft action plan reflecting on all responses received has been prepared. The draft action plan was also included for Committee's consideration.

During the current municipal year, the Committee was renamed as the Governance and Audit Committee in accordance with the provisions of the Local Government and Elections (Wales) Act 2021. The Annual Report for 2020/21 was in the name of the 'Audit Committee' as it represented an account of its activities, performance and effectiveness during the last municipal year.

RESOLVED – That the Audit Committee Annual Report 2020/21 be approved.

10 : DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21 (INC. YEAR-END SENIOR MANAGEMENT ASSURANCE STATEMENTS)

The Committee received a report on the draft Annual Governance Statement (AGS) 2020/21 to allow the Committee to review and comment on the self-assessment elements of the AGS. Members were asked to consider whether the draft AGS reflected 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.

Members were asked to note the Senior Management Statement in the AGS, progress made against the AGS Action Plan 2020/21 and the following 3 proposed actions for the current year:

- Extend and deepen the areas of SMT investigation in respect to compliance, risk and outcomes.
- Extend the assurance on the quality of performance reviews through evidence gathering at Directorate level.
- Embed into the self- assessment on Assurance the Five ways of Working in respect to the Future Generations Act.

Members asked officers to elaborate on the 'high risk areas' in terms of the robustness of controls and a number of adverse audit opinions within the Waste Management service area. Members were advised this phrase related to internal audit opinion and the body of work undertaken by Internal Audit referred to

previously. These are areas where there is high inherent risk and areas identified following review of data and performance.

The Audit Manager confirmed that Waste Management has historically been recognised as a service area where audit opinions were not at a satisfactory level. There has been good engagement between Internal Audit and the service area leading to fewer unsatisfactory audits. The overall trend is for steady improvement but the service area still merits attention.

RESOLVED – That the report be noted.

## 11 : CORPORATE RISK MANAGEMENT (YEAR-END)

The Committee received a report providing an update on the risk management position at quarter four 2020/21.

At the quarter four position, 276 risks were reported from Directorate Risk Registers. All escalated risks and requests for de-escalation were discussed and approved by SMT on 10 June 2021. SMT agreed that seven directorate risks would be carried forward as escalated risks at quarter four. Also included in the figure of 276 directorate risks are 78 Covid-19 specific risks that have been identified and are being managed within directorates.

Appendix A of the report provided a summary of the Corporate Risk Register at Q4 2020/21 and Appendix B provided a commentary on identified risks.

Members noted that there has been little change in a number of strategic risks over a number of quarters. Furthermore, the improvements identified to address residual risks are often not timebound. Members asked whether there is sufficient 'energy' to drive forward improvements in the overall risk evaluation. The Head of Finance stated that an action from the Annual Governance Statement talks of embedding further compliance in terms of SMT looking further into Directorate Risks and Corporate Risks. It is recognised that there may be a need to look at risks differently. However, the Head of Finance considered that the Covid-19 pandemic has also contributed to some residual risks remaining at the same level.

RESOLVED – That the report be noted.

## 12 : RECOMMENDATION TRACKER - REPORTS OF EXTERNAL REVIEW BODIES

The Committee received a report providing an overview of the management and delivery of recommendations received from Audit Wales. Members were advised that the report will extend to Estyn, Care Inspectorate Wales and Her Majesty's Inspectorate for Prisons for the next update. A summary of progress against recommendations is attached as Appendix 1 report, with a fuller assessment attached as Appendix 2.

On 3 June 2021, the Chair of the Governance and Audit Committee received a letter from the Audit Director of Audit Wales titled 'Audit Wales Reports and Recommendations'. The letter was appended in full to the report, and the extract

below outlined the expectations of Audit Wales for Governance and Audit Committees to consider relevant reports and recommendations from external review bodies, and to receive assurances on the arrangements for their oversight and delivery.

*“Given the role of the Governance and Audit Committee is to review and assess the risk management, internal control, performance management and corporate governance arrangements of the Council, we would expect that all councils’ Governance and Audit Committee formally consider all reports of external review bodies – principally; Audit Wales, Estyn and the Care Inspectorate Wales (CIW).*

*As well as actively considering reports we would expect committees to assure themselves that there are arrangements in place to monitor and evaluate progress against any recommendations contained in them. The focus here should be on holding executives and officers to account to ensure that reports and recommendations have been acted upon. Some of our reports may be relevant for consideration by scrutiny committees also.”*

Members were informed that the Governance and Audit Committee Chairperson discussed the letter with the Audit Manager. The Audit Manager confirmed that senior management are asked to advise if there are any concerns with the delivery of improvement actions identified through the reports of external review bodies. The Chair of the Governance and Audit Committee will be notified if any concerns are raised.

Members considered that future tracker reports were likely to cover service area related issues. During the Committee’s previous consideration of this item in January 2021, Members asked whether the Committee would have oversight of the forums and bodies where detailed monitoring and management of recommendations is undertaken, as the Committee considered it was important to ensure that challenge and analysis occurs in the appropriate place. Members asked whether those considerations will taken into account. Officers confirmed that this is being discussed and whilst the oversight of the entire programme will be reported to the Governance and Audit Committee, reports on service area performance will be reported to the relevant scrutiny committee.

A Member commented that it was vital that the appropriate body has oversight. However, the letter from Audit Wales states ‘*we would expect that all councils’ Governance and Audit Committee formally consider all reports of external review bodies*’. This was potentially a blanket requirement and, whilst the Governance and Audit Committee need to have awareness of report, the Committee needs to avoid becoming the primary body for receiving external review reports. It was key therefore, where a review report is being addressed in another forum, that the Governance and Audit Committee should have awareness of the contents of the review report. Members requested officers to give consideration to this.

RESOLVED – That the report be noted.

13 : ARRANGEMENTS FOR HANDLING COMPLAINTS AND COMPLIMENTS  
AND DRAFT COMPLAINTS AND COMPLIMENTS ANNUAL REPORT  
2020/21



The Governance and Audit Committee incorporated responsibility to review and assess the authority's ability to handle complaints effectively, as required by the provisions of the Local Government and Elections (Wales) Act 2021. The Committee received a report setting out the complaints policies and processes, which are in line with the Welsh Government Model Policy and Guidance Paper for Handling Complaints, and draft corporate and draft Social Services annual complaints reports (that will be considered by Cabinet); these assist the Committee to review and assess the authority's ability to handle complaints effectively.

The Chairperson welcomed Isabelle Bignall, Chief Digital Officer, to the meeting. The Chief Digital Officer delivered a brief presentation on effective complaint handling.

Members asked how complaints are defined and how complaints are distinguished from comments. The Chief Digital Officer stated that comments, requests for service and complaints are defined within clear parameters. Members considered that it would be useful for the definition of complaints, and whether the definition has changed from the previous year to be set out in the report.

Members requested that relevant complaint information is provided in respect of the Waste Management agenda item proposed for a future meeting for the Committee's consideration.

Members noted that the Governance and Audit Committee now has a legally defined responsibility for reviewing and assessing the authority's ability to handle complaints effectively. Members asked whether there was a legal definition of what constitutes a complaint and whether the authority should be subscribing to that. The Chief Digital Officer advised that if service user say they wish to make a complaint then that this is the definition the Council is legislatively bound by at present.

RESOLVED – That the report be noted.

#### 14 : MEMBER BREACH OF CODE OF CONDUCT COMPLAINTS

The Committee received a report allowing Members to consider the arrangements in place for dealing with complaints relating to alleged breaches of the Members' Code of Conduct. The Chairperson invited the Monitoring Officer to present the report.

The report provided details of the authority's procedures for dealing with complaints regarding the conduct of Members. The authority has adopted the statutory framework as set out in Part III of the Local Government Act 2000. The statutory Model Code of Conduct was adopted without variation. The Members' Code of Conduct is included within Part 5 of the Constitution.

Members were advised that the Public Services Ombudsman for Wales has responsibility and powers to investigate complaints that a Member has failed to comply with the Code of Conduct and may make referrals to the Monitoring Officer or Standards Committee of an authority or the Adjudication Panel for Wales.

The duties and powers of the Monitoring Officer and the Standards and Ethics Committee in relation to any misconduct complaints referred by the Ombudsman are set out in the Local Government Investigations (Functions of Monitoring Officers and Standards Committees)(Wales) Regulations 2001. If a Member is found to be in breach of the Code of Conduct, the Standards and Ethics Committee has power to censure or suspend the Member for a period of up to six months.

For more serious breaches of the Code of Conduct, the Adjudication Panel for Wales has power to suspend a Member for a period of up to one year or to disqualify them from being a Member of any authority for a period of up to five years.

Furthermore, the Ombudsman has indicated that the majority of “Member on Member” complaints were low level behavioural issues. The Ombudsman indicated that such complaints are more appropriately resolved informally by the adoption of “Local Resolution Protocols”. These are voluntary arrangements that have no statutory force.

Cardiff Council adopted a Local Resolution Protocol in May 2013 (revised in 2017). Members make a commitment to adhere to it as part of the Cardiff Undertaking affirmed publicly by all Members at each Annual Council meeting. Community Councils are also encouraged to adopt their own local resolution processes and a Model Local Resolution Protocol has been produced specifically for Community Councils. If this informal approach does not resolve the complaint, the Protocol provides for the complaint to be referred to a Sub-Committee of the Standards and Ethics Committee, referred to as the Hearings Panel.

Complaints about a Member’s conduct may also be referred to the Standards & Ethics Committee by the Ombudsman (under Part III of the Local Government Act 2000); or by the Monitoring Officer, under the Local Resolution Protocol. Referrals from the Ombudsman are governed by regulations, which require an initial determination of whether or not there is a case to answer, before proceeding to a hearing.

RESOLVED – That the report be noted.

15 : AUDIT WALES WORK PROGRAMME AND TIMETABLE - CARDIFF COUNCIL - QUARTERLY UPDATE: 30 JUNE 2021

Phil Pugh and Samantha Clements presented an update on the Audit Wales work programme and timetable.

16 : OUTSTANDING ACTIONS

RESOLVED – That the outstanding actions be noted.

17 : CORRESPONDENCE

No correspondence was received.

18 : WORK PROGRAMME UPDATE

RESOLVED – That the work programme update be noted.

19 : URGENT ITEMS (IF ANY)

No urgent items were received.

20 : DATE OF NEXT MEETING

The next meeting is scheduled to take place on 28 September 2021.

The meeting terminated at 7.00 pm