

GOVERNANCE AND AUDIT COMMITTEE

25 JANUARY 2022

Present: Hugh Thomas(Chairperson)
Gavin McArthur, David Price, Dr. Janet Wademan, Cowan,
Cunnah, Goodway, Howells, K Jones and Williams

65 : APOLOGIES FOR ABSENCE

No apologies for absence were received.

66 : DECLARATIONS OF INTEREST

Councillor Goodway Agenda Item 7.1 Personal interest as governor for
Cardiff West Community High School

67 : COMMITTEE MEMBERSHIP

RESOLVED – That the Committee noted that Council on 25 November 2021 re-appointed Gavin McArthur and David Price as Members of the Committee for a further 5-year term.

68 : MINUTES

The Committee approved as a correct record the minutes of the meetings held on 23 November 2021 and 7 December 2021, subject to the correction of minor two typographical errors.

69 : UPDATE ON DIRECTORATE CONTROL ENVIRONMENT – CORPORATE DIRECTOR RESOURCES

The Chairperson welcomed Chris Lee, Corporate Director Resources, to the meeting. The Director was invited to present a report on the control environment within the Directorate.

The Committee received a report providing an update on the control environment within the Resources Directorate. Members were advised that the Resources Directorate provides a wide range of support services in undertaking its role of supporting the Operational Directorates in the delivery of their services. Business support and guidance services are provided on Finance, Human Resources, Commissioning and Procurement, Digital and Technological issues and Transport. The Directorate also provides some key front line services via Connect to Cardiff and 24/7 services. A summary of the resources within the directorate in terms of FTE posts was set out in the report.

Members were asked to note that the onset of the pandemic created additional challenges for the Directorate in terms of the way it operated. However, the Directorate also played a key enabling role in how the Council was able to respond effectively from a service perspective. For example, as homeworking became the default operation for thousands of employees, Digital Services played a key role; and

as costs and income shortfalls were experienced, Finance and Procurement officers ensured that the Council remained financially resilient and able to respond quickly by commissioning vital supplies. Additionally, HR People Services were key in terms of the urgent need for amendments to employee policies and where solutions were needed for staff to be switched from existing roles to key front line posts.

Members were advised that robust performance management arrangements are in place across the directorate at both an individual service and overall management level. Balanced scorecard approaches are adopted across services and the Resources Management Team oversees performance and instigates corrective action where appropriate.

The Corporate Director and Directorate Management Team lead on governance, risk management and internal control to ensure there is a process for management surveillance, monitoring and control within the directorate. Examples of these systems, together with a summary of how the following areas are managed, were outlined in the report:

- Risk Management – Corporate and Directorate Risks
- Internal Audit Assurance
- Performance Management
- Significant Partnership / Collaboration Governance
- Senior Management Assurance Statements
- External Assurance
- Value for Money

The Chairperson invited the Corporate Director Resources to deliver a presentation. The presentation provided an overview of the directorate, its remit and its key priorities, together with a commentary of the issues bullet-pointed above.

The Chairperson then opened the debate. Members were asked to comment, seek clarification or raise questions on the information received. Those discussions are summarised as follows:

- In response to a question the Corporate Director confirmed that there was no overlap between the membership of the Local Pension Board and the Pension Committee. The only overlap would be those officers supporting the Board and the Committee.
- A Member noted the HR People Services and Finance functions within the directorate. Members asked how the volume of staff within those functions compared with equivalent sized authorities across the UK. The Head of Finance stated that the Senior Management Assurance Statement self-assurance ratings for the Finance function have a 'limited' rating in respect of benchmarking. The authority difficulty finding suitable sized authorities to benchmark against. The last time benchmarking was conducted across all central services was 3 or 4 years ago. At that time Cardiff compared favourably. In terms of staff numbers, as Cardiff was the largest authority, the establishment was on the high side. However, Cardiff can deliver a wider range of projects and services because it has the skill set in house. Other authorities need to 'buy-in' those services.

- A Member asked when the directorate would look to revisit benchmarking. The Head of Finance advised that they had captured an action arising from the self-assessment exercise that benchmarking be revisited during the next 12 months. Informal networking is being undertaken within officer networks. Members were asked to note that both Finance and HR People Services have delivered efficiency savings year on year. The Corporate Director raised concerns around the credibility of benchmarking data given between Welsh local authorities and therefore more targeted benchmarking with core city comparators is preferred.
- A Member referred to the 'City Security' corporate risk highlighted in the report. They sought assurance that the planned response to any security threat in the city has been tested or verified in some way and that lessons have been learned from the Manchester Arena review. The Corporate Director confirmed that those arrangements are in place and are tested both internally and externally by partners such as National Government, Welsh Government and the Police. Lessons are being learned from the Manchester Arena review and those lessons are being applied on new projects such as the new indoor arena development. The risk register also provides assurance that those issues are being regularly monitored.
- A Member highlighted the importance of new technologies and data. They asked whether the corporate risk 'Analogue to Digital Shift by 2025 for Telecare customers' was pertaining to the transfer of technology or the usability of the ultimate service for users. The Corporate Director stated that it was critical to ensure that there was no loss of service for service users during any shift to new technology. In December 2021 the Telecare service received almost approximately 21,000 calls, 10,000 of which were deemed as critical.

RESOLVED – That the report be noted.

70 : FINANCE UPDATE INCLUDING RESILIENCE ISSUES

The Corporate Director Resources presented an update on current issues and included a statement on the provisional settlement, a budget modelling update and the ongoing impact of the Covid-19 pandemic.

The Corporate Director advised that the provisional settlement was issued to all local authorities in December. Cardiff had a 10.7% increase - £52.6 million in cash terms. However, there were some additional costs to consider, including the introduction of a Real Living Wage in the Care Sector. It was also emphasised that there would be no 2022/23 Hardship Fund from 1 April 2022. Members were reminded further details were contained in the Cabinet report which was circulated prior to the meeting.

Members were advised that the Covid-19 pandemic was still having significant financial impact. During 2020/21 expenditure claims totalled £47.7 million and income claims totalled £38.2 million. At November 2021/22 expenditure claims stood at £18.7 million and income claims stood at £9.9 million. As there would no longer be a Hardship Fund, the future costs and income losses anticipated during 2022/23 would need to be built into the Council's budget.

Members were asked to note the budget modelling position. The final budget would be considered at the end of the consultation period. The resources required are £739 million and the resources available are £747 million. However, there were some ongoing areas of risk including uncertainty around specific grant funding levels, supporting the Real Living Wage, assumptions regarding pay awards and the Covid-19 pandemic.

Some key aspects of the financial strategy would be reviewed by the Cabinet including use of reserves, Council Tax and budget savings. The Corporate Director highlighted the next steps in the budget setting process.

- A Member sought clarification of the phrase 'no floor funding mechanism' as set out in the provisional settlement statement. They were advised that the funding floor is the minimum level of uplift that a local authority could expect to receive.
- A Member referred to the budget savings modelling in the report. They asked for details of the degree of sophistication in that modelling and whether those savings figures were considered to be robust. The Corporate Director stated that the savings were made up from a 'schools' element and a 'non-schools' element. The school's element was based on an assumption of a 1% efficiency savings for schools. It would be for schools to propose how those efficiency savings would be delivered. The non-school's element is a set of efficiency proposals that have robust action plans and delivery plans in place. Savings will come from efficiencies and there would be no significant service changes that would impact on service users.

RESOLVED – That the report be noted.

71 : AUDIT AND INVESTIGATION TEAM PROGRESS UPDATE

Councillors Goodway declared a personal interest as a governor for Cardiff West Community High School. Councillor Goodway took no part in the debate on this item.

The Committee received a progress report providing an update on the work and performance of the Internal Audit and Investigation Teams for the quarter three period 2021/22.

The Internal Audit Progress Report (Annex 1) set out performance in relation to the Internal Audit Plan and 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. The Investigation Team Progress Report (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 key findings in the reports.

- A Member referred to the unsatisfactory audit finding for Cardiff West Community High School. They considered that there appeared to be a breakdown across a range of activities in addition to a high deficit. They sought assurance that action

was being taken to address those issues. The Audit Manager confirmed that Cardiff West Community High School is receiving a high level of support. The report and the audit findings have been discussed with the Director of Education who is aware and is monitoring certain aspects. There have also been positive discussions with the Head Teacher and the Governing Body and, pending a formal response to the audit, an indicative commitment has been given to act upon all the audit recommendations. The Audit Manager was assured that all matters will be acted upon. . An executive summary of the formal response to the audit will be provided to the Committee and the school will be re-audited. The Head of Finance confirmed that the school does fall within the deficit protocol and is in regular communication in terms of its financial planning.

- A Member noted that there is a pattern in the pre-contract audits that is resulting in negative findings. They asked whether there were any underlying consistent issues that would allow any further audits to be curtailed so that systemic issues can be dealt with in a more resource efficient way. The Audit Manager stated that most of the audits are now completed and that the audits were finding gaps in demonstration and completeness of some common, but also some different areas of pre contract processes. There was therefore value in completing the audit review across directorates. There has been a consistent recommendation in terms of ownership and management oversight of those processes for their own assurance.

RESOLVED – That the report be noted.

72 : DRAFT INTERNAL AUDIT CHARTER AND SUMMARY AUDIT PLAN 2022/23

The Committee received a report providing the Draft Internal Audit Charter for 2022/23, a draft Committee Terms of Reference and the Draft Summary Audit Plan for 2022/23.

The draft documents were submitted for Members to consider and to provide any comments in support of the development of final documents to be approved on 15 March 2022 for the 2022/23 financial year.

The Audit Manager indicated that a number of minor updates have been included in the draft Internal Audit Charter. It is anticipated that there will be no substantive updates to the Terms of Reference as a result of the CIPFA guidance due to be published in April 2022.

- The Audit Manager was asked to clarify what was meant by an audit ‘pit stop’ and its purpose as detailed in the Audit Protocol. The Audit Manager stated that a pit stop must happen at least at the mid-point during the audit and its purpose was to have a mid-point review that is formally documented. The auditor will present their work to date, any key issues, an indicative audit opinion and will detail what remaining work needs to be delivered to complete the audit. It offers an opportunity to check the audit is being delivered effectively, and to make any strategic decisions about the remaining work required in order for a good quality piece of work to be delivered on time. Responding to a further question, the Audit Manager confirmed that a post-audit assessment is undertaken which

includes reviewee and reviewer scores. A client feedback form is also requested. The Audit Manager advised that an audit pit stop is systematically required but it follows a proportionate approach. If the audit is on track the exercise can be completed very quickly.

- A Member asked whether in today's challenging environment, whether the number of audit days are diminishing and whether there were consequential pressures emerging, and, if there were, how they were being addressed. The Audit Manager stated that the audit days available per individual audit are not diminished and that overall the audit days in the Audit Plan are not substantially lower. The team no longer benefits from the additional resource provided by a CIFPA trainee, but the substantive staff resources for the team have remained stable. The Audit Team remains responsive to risk, and the findings at key stages throughout the audit. Monitoring meetings and checkpoints are in place during audits so that key decisions can be made in order to direct and target the available resources in the most effective way.
- When summarising the position against the audit plan the Audit Manager advised that clear targets are in place and work is being prioritised to provide a full Annual Audit Opinion. The Audit Manager stated that Quarter 1 typically has a higher number of completed audits, as audits that are carried over from the previous year are brought to a conclusion. Quarter 2 is more challenging as it includes school holidays when staff take a greater proportion of the annual leave during the summer holiday period and audit clients may not be as available. During Quarter 3 a lot of audits are typically at a stage of active fieldwork and Quarter 4 is typically the most fruitful in terms of completed audits, which is the target for the current year.

RESOLVED – That the report be noted.

73 : ANNUAL AUDIT SUMMARY REPORT

The Chairperson welcomed Phil Pugh and Samantha Clements from Audit Wales.

Phil Pugh presented a summary of the work completed for Cardiff Council the last Annual Audit Summary in January 2021. The report was produced in accordance with the Auditor General's duties in relation to continuous improvement, audited accounts, value for money, sustainable development principles etc. The report also acknowledged the continuing strain on public services as a result of the Covid-19 pandemic. Audit Wales have aimed to undertake their work in a manner that reduces the impact on public services but addresses their statutory duties.

Members were reminded that the Statement of Accounts were signed off in October 2021 and the Annual Governance Statement narrative report was consistent and in line with the Audit Wales view of the Council.

A number of grant claims audits are nearing completion and would hopefully be signed off in the near future. The Audit General's Certificate of Completion has, however, been issued.

Phil Pugh highlighted the key reports that were published during the year including reports on the test, trace, protect programme; the supply of PPE and the roll out of the vaccination programme. It was also confirmed that the Council has met its continuous improvement duties under the Local Government measure.

Members were asked to note that a report on Financial Sustainability was presented to the December meeting of the Committee. It was accepted that the authority faces a number of risks in relation to its Medium Term Financial Plan but it was also considered that the authority has appropriate arrangements in place to manage this.

Members were also advised of the other aspects of work that Wales Audit will be looking at including recovery planning.

RESOLVED – That the report be noted.

74 : AW WORK PROGRAMME AND TIMETABLE UPDATE

Members received an update on the Audit Wales Work Programme and Timetable.

Members were asked to note that the Whole of Government Accounts Return is still required to be certified. Both Audit Wales and Cardiff Council are still awaiting the Treasury to issue instructions.

RESOLVED – That the report be noted.

75 : MID-YEAR SELF-ASSESSMENT REPORT UPDATE

The Committee received a report providing an overview of the half-year self-assessment process and outcomes. The Head of Performance and Partnerships, Gareth Newell, was invited to present the report.

Members were advised that the Local Government and Elections (Wales) Act 2021 established a new legislative framework for local government performance management, with an emphasis on self-improvement through a system based on self-assessment and panel performance assessment. The changes to the performance framework and the role of the Governance and Audit Committee in that process was reported at the September meeting.

The framework includes a statutory requirement to undertake a self-assessment report annually. However, the authority has decided to undertake an additional mid-year self-assessment following a similar process in order to provide assurance against the delivery of the Corporate Plan objectives at the mid-year point.

Members were reminded of the five specific requirements in relation to performance management:

- A duty to keep performance under review
- A duty to consult on performance
- A duty to report on performance
- A duty to arrange a panel performance assessment
- A duty to respond to the panel performance assessment report

The report highlighted the changes made to the performance management framework in response to the Local Government and Elections (Wales) Act 2021. A report will be considered by Cabinet in February 2022 which sets out the amendments to the Council's Planning and Performance Framework, which has been the subject of engagement with the Governance and Audit Committee, Policy Review and Performance Scrutiny Committee and the Chairs of the other Scrutiny Committees.

The report provided an overview of the self-assessment approach adopted and the role of the Governance and Audit Committee.

- Members sought clarification of the Governance and Audit Committee role in receiving the report. The Head of Performance and Partnerships stated that the Governance and Audit Committee was requested to provide comments on the self-assessment process and to receive a briefing on the work undertaken to date.

RESOLVED – That the report be noted.

76 : 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, Estyn, Care Inspectorate Wales and Her Majesty's Inspectorate for Prisons at Quarter 2 2021/22. The Head of Performance and Partnerships was invited to present the report.

Members were asked to note that during the Committee's previous consideration of this issue in January 2021, the Committee was advised of the intentions to expand the information provided in future reports to 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. The report before the Committee reflected the position in relation to all the aforementioned external regulatory bodies. Furthermore, it was also agreed that the Audit Tracker would include details of 'accountability / reporting to' arrangements, for each External Audit. Members were advised that this approach will be adopted ahead of the Governance and Audit Committee's next consideration of the tracker, on 8 July 2022.

Since the tracker was last reported to the Committee two regulatory reports have been received by the Council, namely: the Financial Sustainability Assessment conducted by Audit Wales; and a risk-based inspection of Cardiff Council social services conducted by Care Inspectorate Wales (CIW).

- A Member asked whether the recommendations in the reports from external bodies are given equal weight. The Head of Performance and Partnerships provided assurance that there was equal focus on all the external regulators. There would be appropriate oversight provided on any regulatory recommendations by relevant scrutiny committees in accordance with their terms of reference.

- A Member referred to table 1 in paragraph 9 of the report. They considered that it was not possible to ascertain whether the closed recommendations had reached their action date and whether they were delivered early or late. The Head of Performance and Partnerships stated the further details are contained in the appendix to the report.
- A Member suggested that it would be helpful to present the open recommendations and note those that are not yet due for completion.

RESOLVED – That the report be noted.

77 : UPDATE ON THE WORKING RELATIONSHIP BETWEEN THE GOVERNANCE AND AUDIT COMMITTEE AND THE SCRUTINY COMMITTEES

Members received a report providing details of recent engagement between the Chair of the Committee and the Chairs of the Council's Scrutiny Committee. Members were asked to consider approving proposals for working in partnership with the scrutiny function.

Members were advised that the Local Government and Elections (Wales) Act 2021 places performance responsibilities on the Governance and Audit Committee. The Committee is responsible for reviewing and make recommendations on the following:

- The Annual Wellbeing report (the Council's statutory self-assessment report) annually
- The Panel Performance Assessment Report, including the Council's response, at least once during an electoral cycle.

The focus of these reviews relates to high level issues around the governance of performance rather than on the service area performance issues dealt that are with by Scrutiny Committees. The Council's Scrutiny Committees are responsible for scrutinising specific performance issues within the remit of their terms of reference, and will in turn feed into the Annual Wellbeing report. The Annual Wellbeing report is then shared with the Governance and Audit Committee.

On 20 July 2021 the Governance and Audit Committee Chairperson advised Members of his intention to engage with the Chairs of the Council's five Scrutiny Committees in order to develop and maintain a partnership working arrangement. The Chairperson attended a meeting of the Scrutiny Chairs Liaison Forum in December 2021. The following process was agreed:

- A Liaison Plan will be developed for the current year and reviewed at the end of the reporting period;
- All Scrutiny Committee letters will be shared with the Audit Manager who will identify and discuss issues relevant to the Committees' role with the Chair of the Governance and Audit Committee;
- The Audit Manager will share Governance and Audit Committee letters with relevant Principal Scrutiny Officers for Scrutiny Committee information;
- Committee Work Programmes and updates will be shared and considered by the Lead officer and respective Committee Chairperson for awareness and insight;

- The Chairs will hold a meeting twice a year (intended as July and December) – this will coincide with the timing of mid-year and year-end performance reports and reviews and would provide a forum for relevant discussions.

The process will be coordinated by the Audit Manager for the Governance and Audit Committee and the respective Principal Scrutiny Officer for each Scrutiny Committee. The Head of Democratic Services will oversee Scrutiny arrangements, and the OM Performance and Policy will provide support where appropriate. The Chair of the Governance and Audit Committee and Audit Manager will provide relevant updates to Committee on the working relationship between the Governance and Audit Committee and Scrutiny Committees as appropriate.

A Member asked whether any work has been conducted to better understand how integration between Governance and Audit Committee and the Scrutiny Committee could be done for maximum effect. The Audit Manager stated that the All Wales Governance and Audit Committee Chairs Network is navigating the Local Government and Elections Wales Act and their most recent meeting focussed specifically on the new responsibilities. Those discussions informed the Chair's approach to meeting with the Scrutiny Chairs.

A Member asked whether any conclusion has been reached regarding the differentiation of the terms of reference between scrutiny committees and the Governance and Audit Committee and whether there is sufficient clarity built into the terms of reference. The Chairperson accepted the point and agreed to discuss the matter further with the Audit Manager.

A Member raised concerns regarding the Committee unintentionally overreaching its remit into areas that are properly within the remit of the Council's Scrutiny Committees. The Director of Governance and Legal was invited to comment. The Director stated that the Governance and Audit Committee's Terms of Reference tasks the Committee with oversight of the audit, assurance and reporting arrangements that underpin good governance and finance, whereas scrutiny are responsible for ongoing performance monitoring. The Committee needs to recognise the differences in the terms of reference. The Committee would not wish to make recommendations that were inconsistent with Scrutiny Committee recommendations.

A Member considered that the natural point at which a Governance and Audit and a Scrutiny Committee would meet would be around performance. The Governance and Audit Committee would be interested to know whether there are performance measurements in place, are they validated, are they internally and externally referenced, etc. Therefore it would be useful to have a conversation with the scrutiny function around how performance is assessed and managed. It was considered that scrutiny is strengthened by effective and subjective measurements of performance and if scrutiny committees did not have those in place then that would be addressed by the Governance and Audit Committee. Therefore, dialogue is natural.

RESOLVED – That the Audit Manager and Director of Governance and Legal Services have a dialogue around the terms of reference of Governance and Audit Committee and relevant Scrutiny Committees and bring a report back to the next meeting of the Committee clarifying the position.

78 : SENIOR MANAGEMENT ASSURANCE STATEMENT AND AGS ACTION PLAN 2021/22 (MID-YEAR)

The Committee received a report providing a half-yearly update on the Senior Management Assurance Statements (SMAS). The report included a narrative on how the Senior Management Team reached its conclusions.

Responding to a point raised by a Members of the Committee, the Head of Finance agreed to reflect on whether value for money considerations could be included in the descriptors of any relevant assurance statements.

RESOLVED – That the report be noted.

79 : DRAFT TREASURY MANAGEMENT STRATEGY 2022/23

Members received a report and were asked to comment on the draft Treasury Management Strategy for 2022/23 which will be approved as part of the Budget Report to Council in March 2022.

Members were asked to note that the Treasury forecasts and many of the indicators included in this draft strategy are dependent on the final Capital Programme, which will be determined at Council in March 2022. Furthermore, the updated Month 9 monitoring position for 2021/22 will also be considered in February 2022.

The main points of the draft Treasury Management Strategy were set out in the report. The Operational Manager, Corporate and Treasury also highlighted recent changes to the CIPFA Treasury Management Code and Prudential Code.

RESOLVED – That the report be noted.

80 : OUTSTANDING ACTIONS

RESOLVED – That the report be noted.

81 : CORRESPONDENCE

RESOLVED – That the report be noted.

82 : WORK PROGRAMME UPDATE

RESOLVED – That the report be noted.

83 : URGENT ITEMS (IF ANY)

No urgent items were received.

84 : DATE OF NEXT MEETING

The next meeting is scheduled for 15 March 2022.

The meeting terminated at 7.30 pm